

1933

SAUNDERS management

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Hardware's "Grand Old Man" starts a new series of articles in this issue.

**The Human Side of Management, by
Saunders Norvell . . . Johns-Manville's
Time Payment Plan . . . Sales Letters**

VE NTY CENTS

March 15, 1933

In Two Sections

Section 1

Aluminum Ware

Auto Accessories

Automobiles

Bags, traveling

Balloons

Balls

Baseball Equipment

Bathroom Accessories

Bed Spreads

Bed Linens

Bill Folds

Blankets

Books

Bridge Accessories

Brief Cases

Calendars

Calendar Pads

Cameras, movie

Cameras, still

Caps

China

Cigarette Lighters

Cookers, pressure

Cutlery

Desk Sets

Dolls

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Flashlights

Footballs

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Glassware, baking

Glassware, table

Golf Bags, Clubs, etc.

Haberdashery

Hats

Jewelry

Jig-Saw Puzzles

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Kitchen Utensils

Lamps

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Radios, home

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Refrigerators

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Tools and Sets

Towels

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Umbrellas

Vacuum Bottles

Vacuum Cleaners

Vibrators, electric

Watches, pocket

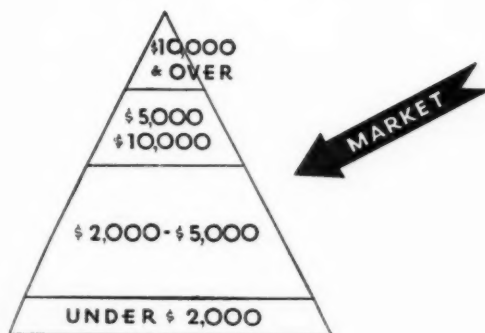
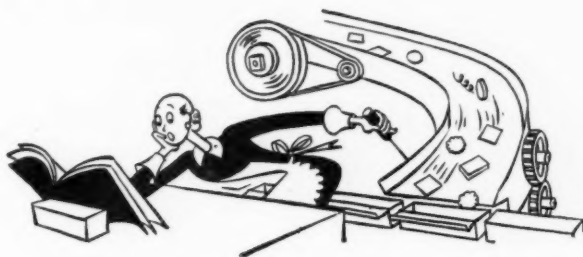
Watches, wrist

DO YOU MAKE ANY OF THESE?

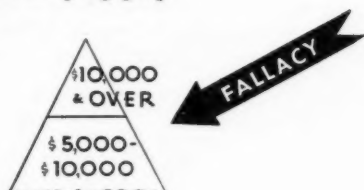
Manufacturers who make any of the above articles and who are interested in supplying them for either premium or prize contest use are invited to send illustrations and descriptions of articles, prices (approximate), information on whether they will sell direct to other manufacturers, or through distributors or wholesalers. This is a partial list only. Manufacturers who make other articles suitable for premiums or prizes are invited to register their names also.

Address R. E. SMALLWOOD, "Premiums and Sales Contests" Editor, SALES MANAGEMENT, 420 Lexington Avenue, New York, N. Y.

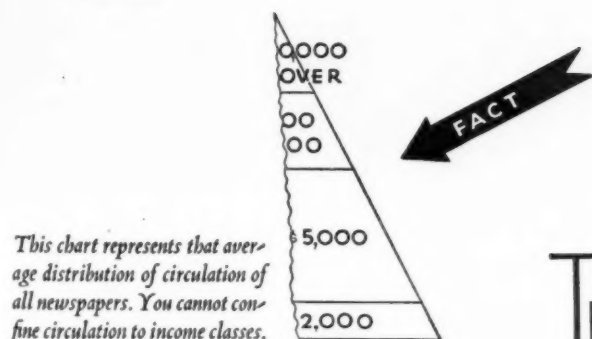
CIRCULATION IS VERTICAL NOT HORIZONTAL



This chart represents the distribution of family incomes in New York City—or in any other—and approximately the distribution of family incomes in any large group of urban population.



This chart represents the impression of their circulation that some publications and some newspapers like to convey to advertisers.



This chart represents that average distribution of circulation of all newspapers. You cannot confine circulation to income classes.

MR. UPSTAGE publishes the fashion magazine *Quel Chic*. It has good fashions, and costs \$5.00 a year. Mr. Upstage assumes that it is read by fashionable well-to-do women.

Ethel Umph is a biscuit packer who makes \$22 a week when she works. Miss Umph is crazy about clothes, and thinks *Quel Chic* is a swell magazine for fashions. So she sends in a subscription and \$5.

Does Mr. Upstage investigate Miss Umph, discover she is neither fashionable nor well-to-do, and return her \$5.00?

FASHION interests women of all incomes.

News interests people of all incomes.

Newspapers interest people of all incomes.

Circulation is *vertical*—distributed through all income groups; and *not horizontal*, not confined to certain income classes. There is literally no such thing as an income "class" newspaper. Newspapers may vary in influence; but economically their circulations are all about the same par. It is time that all advertisers recognized this elementary fact!

THE NEWS, New York's Picture Newspaper

... with more than 1,400,000 circulation in the New York market ... read by people who have from nothing to millions a year ... and read by more of them than any other New York newspaper.

after all —
they do mean
something!

A statistician or a CPA are the only people we know who really enjoy figures and numbers and decimals and all that. It's dry stuff. The bootblack around the corner isn't utterly amazed when we tell him we published **14,796,932** **agate lines** of advertising in 1932. He just smiles patiently and goes right on shining. Just another dime to him.

But regardless of what Joe Poppula thinks about that 14,796,932, it's the greatest volume of advertising published by any morning or evening week-day newspaper in America. National leadership for the third consecutive year is what it really means, with first national honors in automobile and classified advertising, too.

Automobile, 1,234,977.

Classified, 2,743,791.

Joe wouldn't get the true perspective on this market of ours from the lineage figure angle. But then, he isn't a wide-awake, 1933 model sales or advertising manager. After all, when a pared advertising budget has to do a real selling job, such figures do mean something.

Newark Evening News

EUGENE W. FARRELL
Business & Advertising Mgr.
215-221 Market Street
Newark, New Jersey
O'MARA & ORMSBEE
General Representatives
New York Chicago Detroit
San Francisco Los Angeles

Survey of Surveys

BY WALTER MANN

Roto's Place in the Sunday Newspaper

Many of us have vaguely felt for years that the rotogravure sections of the Sunday (sometimes the Saturday) newspapers should be an extraordinary advertising medium. Whether *you* feel that way or not, the recently published "Survey of Reader Interest in the Various Sections of Sunday Newspapers to Determine the Relative Value of Rotogravure as an Advertising Medium" (there's a title for you) ought to prove of exceptional interest. Done by Dr. George Gallup, former professor of journalism and advertising at Northwestern University, now with Young and Rubicam, New York advertising agency, this is one of his last jobs before coming East. The Kimberly-Clark Corporation, paper manufacturers, Neenah, Wisconsin, sponsored it. It deserves your serious attention.

This survey, the preamble announces, was made for the following purposes: (1) to compare the number of readers of rotogravure sections of Sunday newspapers with the number of readers of the entire paper; (2) to compare the reading of display advertisements in the rotogravure and in other sections; (3) to obtain data on the reading of editorial matter next to advertising, and of editorial matter printed in the lower half of the newspaper page; and (4) to discover the types of pictures and advertisements published in rotogravure sections which have the greatest reader interest. All pertinent and worth-while information to newspaper space buyers.

Ten Sunday newspapers, viz., the Chicago *Sunday Tribune*, St. Louis *Globe Democrat*, Pittsburgh *Sun-Telegraph*, Columbus *Sunday Journal*, Memphis *Commercial-Appeal*, Providence *Sunday Journal*, Des Moines *Sunday Register*, Peoria *Sunday Morning Star*, Peoria *Journal-Transcript*, and the Fort Wayne (Saturday) *News Sentinel*, were checked for two issues, thus securing a cross section of about 2,000,000 readers. Upper class, middle class and lower class districts were called on at random in these nine cities. When a man or woman (50-50) was found who had read the current week's issue of the paper in question, the interviewer went through the paper with him page by page and checked off in a fresh paper exactly what the responder had read (news article, feature or advertisement). The method of random sampling of the city used in this study was shown to be entirely adequate by various checkups. Interviews were distributed as follows: Business and Professional Class, 19.9 per cent; Salaried Class, 30.8 per cent; Skilled Class, 36.7 per cent; Unskilled Class, 12.6 per cent. Whether these are the right proportions of typical



Pirie MacDonald
Walter Mann

Sunday newspaper readers for the cities in question, I'm not prepared to say, but the ratio sounds reasonable enough. Certainly this is an adequate sample for such comparative terms (percentages and index figures) as Dr. Gallup uses in his report. About two-thirds of the interviews were made on the Monday following the publication of the issues studied. The other third was made on the Tuesday following publication. The order of submission of the various sections of the papers was changed regularly so as to avoid any distortion through preference for any given section. No interviewer was given a clue to the sponsor of the survey. Although it is claimed the recall method prompts responses, I see no other way in which the desired information could have been gained. Since all facts were secured by the same method, and all factors duly alternated, the aided recall method appears acceptable.

All figures on the reading of display advertising have been reduced to index figures in terms of "readers per column inch," thus affording a direct comparison of different sized advertisements, assuming, of course, that the attention value of an advertisement ten times the size of another, is ten times as great. Which, of course it may be and again it may not.

In any event, the figures speak plausibly for themselves. Responses to the first above-stated question, developed the fact that the percentage of persons who had read anything (news-features-advertisements) on the average page carrying display advertising was twice as high for rotogravure pages as for any other section. In roto sections, men read *something* on the average page in 74.7 per cent of the cases, women 77.9 per cent. In other sections (average compared) men read 33.4 per cent, women 41.7 per cent—an average of 76.4 per cent for the roto sections and 37.7 per cent of the other sections. Twice as great an exposure to reading!

As for the attention value of rotogravure below the fold, 72.1 per cent of the men remembered something they had seen, and 75.8 per cent of the women did the same. In other sections, neither men nor women showed up so well, men with 12 per cent and women with 13.7 per cent respectively. Combined averages showed 74 per cent vs. 12.9 per cent. As for the value of roto vs. regular sections "next to editorial matter," the roto figures were, men 73.3 per cent, women 75.8 per cent, combined average 74.6 per cent; in other sections, men 13.4 per cent, women 17.1 per cent, average 15.3 per cent. Reader interest per column inch of national advertising is almost twice as great for men according to this study and more than twice as great for women. In local advertising it is *six times as great!*

Get your copy of this study. Its facts are startling enough for anyone's taste. Done as might be expected in rotogravure, it can be secured direct from F. L. Blake, Kimberly Clark Corporation, paper manufacturers, at 8 South Michigan Avenue, Chicago, Illinois, or from this column. Ask for "The Sunday Newspaper" Gallup survey.

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SALES *management*

Vol. XXXII. No. 6

March 15, 1933

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Sales Letters

BY MAXWELL DROKE

Clean Collar Letters

I have been indulging in a lively little controversy with one of my correspondents concerning the matter of letters dispatched in direct answer to inquiries. This correspondent holds, with considerable logic, that since the prospect has written to us, he *knows*, if he has sense enough to decorate a dotted line, that our letter is in answer to his inquiry. Therefore, it is superfluous, and downright



Maxwell Droke

foolish, to clutter up our letter with any reference to his communication. He is all for jumping into the subject with both feet; putting a punch in the first paragraph; making the prospect sit up and take notice.

Well, perhaps I am an old fogey, and hopelessly retroactive, but I believe that in any compromise with established amenities we shall lose more than we gain. Being physically lazy, I have a wholesome respect for any movement which tends to eliminate waste effort and conserve human energy—so long as it does not strike at the art of gracious living. We sales-minded folk sometimes display a tendency to invest an efficiency expert with the orders of a bishopric, whereas he is, in point of fact, only a rather officious presiding elder who should be put in his place, and kept there.

Yes, it may be a bit old-fashioned to thank a prospect for his inquiry—to express appreciation for the opportunity he has given us to tell our sales story. Certainly, the procedure lacks novelty. Most of us are going through this procedure day after day. Just as most of us go to our offices in the morning wearing neckties and clean collars. The man who omits these details of haberdashery may be "different," but it is questionable whether he gains anything by his rebellion from custom. Most of us, seeking distinction, prefer to search the markets for a new type of collar, or a more becoming cravat. Similarly, we may, if we deem it essential, devise a new opening for our letters—a new way of saying "Thank you for your inquiry." But let us first make certain that the altered form is not lacking in the elements of courtesy, simplicity and sincerity.

If I read aright the tempo of our times, we journey toward a new era, an era in which many of the rude, crude forms of what we are pleased to term "super-salesmanship" will be as dead as a dodo. Which is very dead, indeed.

Courtesy and Business Meet

And the next letter I pick up, singularly enough, is an inquiry answering communi-

Standing Invitation

Mr. Droke is always glad to criticize sales letters and direct mail messages for our subscribers. There is no cost or obligation for this service. Address him in care of SALES MANAGEMENT, enclosing a stamped, addressed envelope for reply.

cation from the Ideal Commutator Dresser Company. As you will see, Mr. Holub, the sales manager, is content to be conventional and employ the "Thank you" introductory paragraph. I think you will agree, however, that these few words do not seriously slow the action. I like this letter because it handles a difficult subject in a thoroughly informative and convincing way:

"Thanks for your January 20 letter, requesting information on Ideal commutator and slip ring resurfacers.

"Ideal resurfacers are the accepted standard in over 16,000 power plants. They save time, save money, and, above all, eliminate lengthy shutdowns, which is an important factor in any plant.

"Ideal resurfacers have the highest efficiency obtainable, 85 per cent copper cut against 15 per cent stone used. They are absolutely non-copper collecting, non-conducting, cut quickly, wear down slowly, and leave commutators and rings in the finest condition. The enclosed folder gives additional interesting information, and clearly points out how you, too, can save time and money through the use of this product.

"Our policy of doing business is not only a liberal one, but a very unusual one. Ideal equipment must prove in actual service to be a good investment (not an expense) and to pay for itself many times over; otherwise, there is no obligation. You stand to gain considerable, and lose nothing, by permitting us to send you an Ideal resurfacer, or a set of resurfacers, on our ten-day free trial basis.

"We manufacture other motor maintenance and time-saving products. A complete catalog will gladly be sent upon request."

"You Can't Make Him Drink"

I always counsel young writers to adopt a positive style. Unless we display confidence in our product or proposition, how can we reasonably expect to convince those whom we seek to sell? But, of course, we must employ a certain amount of subtlety. If we seek too obviously to dictate or prophesy the prospect's reactions, over topples our apple-cart into the gutter—and we shall have no fruit to vend on the next street corner. As an example of the sort of thing I mean, I quote the opening sentence of a letter which I recently encountered. "You will place an order at once

when you see our unusual line of . . ." Such sweeping statements are rather dangerous. The prospect's natural reaction is, "Oh yeah? We'll see about that!" Isn't it a much better plan to bowl him over with the *news* of the offering itself, rather than to assure him that he is *going to be* astounded? Better save your thunder to clinch the sale after a quick introduction.

When Do "Teasers" Pay?

One of my correspondents has an ambitious plan to market a fifty-dollar service by mail. It is a very good service, and I think well of the potential possibilities. But I believe the plan, as it stands, will fail. It has been loaded with too heavy a burden of preliminary expense. First, there is a "teaser" post card:

"3 Days From NOW, you will receive a letter that will show you how to save \$100. Watch for it!"

This is followed by a second postcard, "2 days from NOW . . ." etc. And this in turn by a simulated telegram, carrying first-class postage. Not until the *fourth* mailing is the actual proposition revealed. And then *there is nothing in the letter* to tie up directly with the "teaser" campaign! Of course, to the man who prepared the campaign it is all very simple—one piece follows another in orderly fashion. But the prospect, unfortunately, receives the mailings at intervals, and there is always the chance that he may not be jig-saw-puzzle minded. The money invested in a "teaser" campaign is worse than wasted unless the climax is unescapable. There must be no chance that the reader may fail to connect the various links.

But my major point, in this instance, is that my correspondent's proposition will not bear the burden of three non-productive mailings (I figure the preliminary cost at least \$75 on each 1,000 names) and show a profit on actual sales derived from the fourth circularization. The "teaser" campaign has its place, but rarely will so ambitious a plan pay out on a straight mail-order merchandising proposition.

* * *

From an excellent bulletin, written by Mr. E. L. Giles, of the Virginia Baking Company, for his sales force, I cull the following paragraph which I fancy will be hailed by many a sales executive with real appreciation:

"One thing more: Possibly it is expecting you to be a little more than human, but when such a strange thing as an advance in prices on the part of a competitor occurs, we wish you would give us the tidings. Such things have been known to happen, but the salesman usually locks the secret in his breast, and we have to wait until the information reaches us from other sources. Come through, please, with any advances that may come to your notice. We need this information as well as that about cuts, which latter information never fails to reach us in full detail, whether requested or not."

THE BEST BOND AND LEDGER PAPERS ARE MADE FROM RAGS



IS MY PRESENT LETTERHEAD SATISFACTORY?

■ A letterhead is really satisfactory only when it is tastefully designed and well printed on a paper of unquestionable quality. Such paper implies the following qualifications: strength, cleanness, crispness, beauty and the ability for fine performance in both the pressroom and the business office. ■ Chieftain Bond provides all these features at a very moderate price. Its generous quantity of rag fibre gives it clean, crisp beauty and strength enough to carry it unharmed through rough postal handling. And furthermore, it is shop-tested as a final assurance that it will satisfy the requirements of both printers and typists. ■ A letterhead on Chieftain Bond, therefore, is eminently satisfactory because it creates good impressions wherever it goes, and does as much as any paper can in helping your letters accomplish their purpose. This paper is available in sixteen good colors and white. An interesting demonstration portfolio of modern letterheads will be sent on request. Neenah Paper Company, Neenah, Wisconsin.



THE RIGHT WAY TO MEET PEOPLE BY MAIL

Neenah guaranteed papers at various prices are available for every bond and ledger need. Other bonds are Old Council Tree, Success, Conference, Neenah, Glacier. The ledgers are Stonewall, Resolute, Prestige and Putnam. Samples will be sent upon request.

IDENTIFY RAG-CONTENT QUALITY BY THE NEENAH OWL WATERMARK

Significant Trends

As seen by the editors of Sales Management for the fortnight ending March 15, 1933:

• • • The people aren't sure, as we go to press, just where they are going, but anywhere seems better than where they have been. In the homes, on the streets, in the offices, there is a feeling of hope reborn. It is a "new deal," in more ways than one, and as we start off again after a lifting of the enforced bank holidays it seems an appropriate time for the taking of inventory.

• • • Just where were we when we were so abruptly halted?

• • • We had, and we have, increased confidence, and confidence is a prerequisite to recovery. A new administration, politically solidified, has taken office with the endorsement of a larger number of people than any previous administration ever received. We have a new leader who electrified the entire nation with his inaugural address, his decisive actions, his calm, smiling courage.

• • • Carloadings are generally accepted as the best index of wholesale trade. They showed a strong upward seasonal trend from July to November for the first time since 1929. The upward trend persisted during January, and through the February 18 report, which was the last week free from banking troubles. Miscellaneous freight, the key to the movement of consumption goods, showed a pronounced upward movement, compared with a slight one in 1930 and none at all in 1931.

• • • An actual shortage of merchandise is imminent in department stores, according to Federal Reserve records. In every 1932 month, and in January, the index of sales exceeded the index of stocks on hand at the end of the month, and in the period stocks dropped from 75 to 58 per cent of normal.

• • • Federal Reserve figures of January wholesalers' sales, and stocks on hand at the end of the month, show that a vacuum is being built up. Consolidated figures for the entire country are not available, as reports from Boston and Chicago are missing, but in every line of wholesale activity in the other districts the balance between sales and stocks is favorable to the sale of more merchandise. Here are the figures for two lines. Comparisons are for January, 1933, with January, 1932, in dollar volume:

Federal Reserve districts	Groceries		Drugs	
	sales	stocks	sales	stocks
New York	-13.4	-6.0	+79.5	-8.6
Philadelphia	+4.1	-17.0	-3.8	-8.2
Richmond	-9.4	-21.1	-3.2
Atlanta	-11.5	-24.1	-15.6	-16.3
Cleveland	-16.0	-10.5
Minneapolis	-20.0	-13.0
Kansas City	-8.6	-25.0	-4.2	-14.7
St. Louis	-8.0	-21.0	-3.0	-10.0
Dallas	-2.9	-19.7	-8.8	-13.1
San Francisco	-19.7	-10.6

• • • An accurate average of the above figures is impossible, but, roughly speaking, stocks on hand declined twice as much as sales. That vacuum will be filled.

• • • Bank debits, up to the moratorium, indicated a favorable trend and moved against the normal seasonal

trend. Bank clearings, in two recent weeks, exceeded the corresponding weeks of 1932.

• • • During the last half of 1932 practically all industries came out of their tailspin, although the phenomenon was not generally recognized. The facts are found in the Federal Reserve index numbers, adjusted for seasonal variations, and showing December compared with July, in per cent change:

Industry	Production July-Dec., '32	Activity July-Dec., '31
Iron and steel	+8.0	-28.0
Textiles	+32.0	-12.0
Food Products	+1.0	+15.0
Automobiles	+82.0	+10.0
Leather	+10.0	-16.0
Cement	-16.0	-32.0
Plate Glass	+106.0	+13.0
Petroleum refining	-6.0	-7.0
Rubber tires and tubes	-25.0	-23.0
Cigarettes	-2.0	-6.0

• • • Automotive production and sales showed an upward trend until the moratorium.

• • • Failures have declined in recent months. The Dun & Bradstreet index, which registered 170 per cent of normal a year ago, is barely over the 100 mark; 98.5 per cent of all the commercial concerns in this country met their obligations, dollar for dollar, in the years 1931 and 1932.

• • • Electric power production paralleled the trend of 1928 (a pronouncedly rising one) from July to the end of the year. From January through most of February it preserved a stability not equalled by any year since 1928.

• • • Another excellent index of primary industrial activity is the output of bituminous coal. During last summer the output was low, but from November to the 10th of February the average weekly output has been higher than the corresponding period of '31 or '32.

• • • Europeans, especially the English, French and Dutch, have for years seen us with clearer eyes than we could see ourselves. During the bank holiday stocks of American corporations sold at higher prices. They expect us to recover. They were right about us in 1929. . . . And speaking of Europe—we are so much closer to a solution of the war debt problem that had the present status of the debts been applicable to June, 1932, it is probable that our recent period of unsettlement would never have materialized.

• • • Contracts awarded for all types of new construction during January exceeded December for the first time since 1930.

• • • The bad features, aside from the banking troubles, were (1) little if any profits to industry, (2) low wages and salaries, (3) unemployment. All three factors are followers, not leaders, in a business recovery.

• • • To sum up: the banking machinery broke down and the roar of broken gears drowned out the sweeter music. Business has made an excellent showing

since last July. With the financial system in order again, and the bad news about it out and digested, SALES MANAGEMENT believes that business can and will continue to recover.

Prices

The Irving Fisher All-Commodity Index of Wholesale Prices stood at 55.0 on March 6, but since that date prices of sensitive food products have increased. The Fisher Index of Business Conditions increased 2.7 per cent during the first week of March.

• • • All of the leading manufacturers of sheet steel posted advances last week of \$1 to \$3 a ton, effective immediately.

• • • An upward revision of gasoline price schedules was made last week in two areas, and the general belief is that the mark-ups are the beginning of a national increase, partly seasonal.

• • • Westinghouse has advanced the price of all models of its refrigerators \$10.

Production

Employment by General Motors increased 29,293 in the last five months. Although this gain reflected seasonal influences, it was larger than the increase for corresponding months of a year ago.

• • • The output of steel ingots in February was at the rate of 20.4 per cent of capacity, which was a gain of 2.6 points over January, and the highest rate since last April.

• • • Bids are now being received for the San Francisco Bay bridge, estimated at \$50,000,000. Later in the month bids will be opened on two more Colorado River Aqueduct tunnels, estimated at \$7,000,000.

• • • F. W. Dodge Corporation reports of construction contracts awarded in up-state New York during the first fifteen days of February total \$4,388,700, as against the total of \$2,741,000 for the entire month of February last year; in the Southwest contracts awarded total \$2,592,100 as against \$2,906,400 last year; in New England the total is \$5,600,400 this year as against \$7,589,000 last year.

Distribution

The Department of Commerce estimates that such super-markets as the Big Bear in Newark sell 20 per cent of volume below cost, 20 per cent at cost, and 20 per cent just enough above cost to make up losses on the first 20 per cent, thus leaving 40 per cent on which to make a profit. These markets in Los Angeles are cited as the principal cause for one chain organization in that area closing 80 of its 180 stores.

• • • The American Petroleum Institute estimates for the first half of the current year a reduction in total motor fuel demand of 7.6 per cent.

• • • Although the Chrysler Corporation lost \$11,250,000 last year, it made impressive gains from a competitive standpoint, and jumped its share of the domestic passenger car market from 12 per cent in 1931 to 17.4 per cent last year, and these competitive gains were continued in the first two months of this year.

Potpourri

The "shorts" have made a lot of money in the market since 1929, but now obviously believe that a turn has come, for the short interest on the New York Stock Exchange declined during February to the lowest figure since records of it were begun.

• • • According to the American Petroleum Institute surveys, state taxes on gasoline in 1932 reached a point of diminishing returns. The record year in state gasoline taxes was 1931, and the 1932 figure, despite the general upping in the rate, declined \$29,000,000.

• • • One hundred and twelve companies, each having a capitalization of more than 2,000,000 common shares, reported to the New York Times that they had an aggregate of 5,978,155 stockholders at the end of 1932, a gain of 8.62 per cent during the year. Some companies reported decreases, and most of the others reported slower gains.

• • • Inability to arrange credit has brought to a close the sale of 1,000,000 yards of cotton cloth to Russia, and with that suspension has disappeared the chance of reducing the raw cotton supply in the United States an additional 700,000 bales within the next eighteen months.

• • • The report of government experts to President Roosevelt states that the plan of using surplus farm crops for the production of alcohol has real possibilities as a farm aid, and would cost the Federal treasury nothing.

• • • Just for the record (it's the last 1932 report we are going to print), the National City Bank has studied the annual reports of 840 corporations having a net worth of approximately 16 billion dollars. Last year 43 per cent reported total profits of 430 million. These companies were concentrated largely in the food products, tobacco, chemical, and chain store lines, though with a scattering in other groups. The other 57 per cent reported a total deficit of 445 million and the net result was a deficit balance for the 840 companies of 15 million. The same companies in 1931 made 559 million.

• • • During February one western railroad sold 2,500,000 miles of travel in the new scrip books for which SALES MANAGEMENT readers fought so long and so valiantly. Getting more salesmen out on the road will build freight business for the railway companies, but the eastern roads can't see spending a quarter to get a dollar.

• • • Kenneth Collins of the Gimbel stores visited last week with 104 manufacturers who sell to retail stores and found 98 to be optimistic about present and future business conditions. Expecting a rise in retail and wholesale prices, the Gimbel executive urged storekeepers immediately to cover their buying requirements to June 1. He believes also that advertising will be more productive than it has been for several years.

The Human Side of Management

Some months ago we printed an article in Sales Management entitled "The Human Side of Selling." It created a hubbub of comment and we lost count of the actual number of reprints that were made. It occurred to us that we ought now to have a discussion on "The Human Side of Management". We asked Saunders Norvell to write it. We know our readers will welcome his return to our pages.

"I returned, and saw under the sun, that the race is not to the swift, nor the battle to the strong, neither yet bread to the wise, nor yet riches to men of understanding, nor yet favor to men of skill, but time and chance happeneth to them all."—*Ecclesiastes*, IX-11.

SO you want me to write on the "human side of management." Opposition and contrasts are the basis of life, drama, and all literature. In order to visualize the human side of management we must study the inhuman side of management. It is by setting up one form of management against the other form of management that we will approximate the truth and make our story clearer.

The mills of the gods grind slowly, but they grind exceedingly small. Time ends all things and proves all things.

If you have not read Emerson's essay on the law of compensation you have missed something great. Emerson is believed to have written that paragraph about the mousetrap. "If you make the best mousetrap all the world will make a beaten path to your door." That is only partly true. There is that other thought—"Many a flower is born to blush unseen and waste its fragrance on the desert air." This also is true, but the flower and the mousetrap contradict each other.

The "good book" says: "Let your work so shine." Then in another place it also says: "Do not let your

The first of a group of three articles

BY

SAUNDERS
NORVELL

*President, Remington Arms Company,
New York City*

right hand know what your left hand doeth."

All these statements contradict each other, but still in themselves they carry truth. So when one starts to write on the subject of "human management," that is one thing. This kind of management has its advantages and disadvantages. The other kind of management I would call, in the vernacular, "hard-boiled management." This kind of management also has its advantages and its weaknesses. Therefore, suppose I give three informal business chats on this subject. The first, this article, being on human management; the next article on hard-boiled management, and the third article a summing up of both kinds of management.

To have human management you must have a real human being at the head of the business. Human beings, as contrasted with human machines, are just born that way. I do not believe that anyone in this life ever really changes his real character. Environ-

ment, education, thinking may modify our characters, but fundamentally we remain just the same clear through to the end. The real human being at the head of a business is a human being simply because he cannot be anything else. He couldn't if he tried. A hard-boiled manager of a business will always remain hard-boiled to the end of the chapter. He couldn't be anything else if he tried.

I, myself, have seen very human business managers attempt to be hard-boiled. It was just funny. I have also seen hard-boiled managers attempt to be human. That also was funny.

I hope that my readers will not make up their minds about what I have to say until they have read all three of these articles.

Now, let us draw a picture of this human manager. First of all he is healthy. It takes health to be human. It takes health and a certain optimistic state of mind to be jolly and pleasant. The human manager is a cheerful manager. He sees the best in life, and the best in people. He starts out with great faith that goodness and truth will be victorious in this world. He is full of the idea outlined in most books and plays that in the end the hero comes out on top and the villain meets with defeat and disgrace, and possibly goes to prison. He likes people. He likes good food. Frequently he likes a drink. He is fond of entertaining. He is sympathetic. He

(Continued on page 271)



Photo by H. Armstrong Roberts

Not only is the man who heads a business the Atlas upon whose shoulders all the financial and executive burdens rest, but he is also the person who is called upon to share in the personal problems and griefs of many of those who work under him. . . . In this article Mr. Norvell discusses the "too-human" president, who is loved, respected, and outrageously imposed upon. Some facts about the author's varied experience, recounted below, will testify as to his fitness for the job of writing this important series of articles.

From E. C. Simmons' Stockroom to Leadership in an Industry—a Brief Sketch of Mr. Norvell

A tired \$5-a-week stock boy, who had danced too late the night before, lay down on a truck, one day, in the basement of the building occupied by the old Simmons Hardware Company. While he was resting, Mr. E. C. Simmons came in. He glared at the boy, said, "You look pretty independent."

With the bravery born of desperation the boy answered, "Mr. Simmons, anybody can be independent on \$5 a week!"

The next day Mr. Simmons called the fresh youngster into his private office. "Your salary is now \$35 a week," said he, "—not for what you have done, but for what I hope you will do in the future."

The boy's name was Saunders Norvell. Later he sat in the vice-president's chair of the Simmons company. He became one of America's greatest sales managers.

Norvell never inherited a dollar nor had a dollar given to him. Sheer sales ability has made him a millionaire. He invested in the Simmons Hardware Company through careful saving, took out five for one when he quit. He reorganized the Shapleigh Hardware Company, where he increased sales at the rate of a million dollars a year. When he sold out, again at five for one, he intended to retire and live in France, but Norvell is the type of man who will never retire. He became director of sales for McKesson and Robbins, was speedily made chairman

of the board. In December, 1926, he sold out his interest for a million dollars in cash. In 1927, after a few months of "retirement," he assumed leadership of the Remington Arms Company.

Mr. Norvell today, at 70, gray-headed, with a pair of friendly, twinkling blue eyes, is one of the most clear-headed thinkers in American business. He has always been ahead of the times. His was the first jobbing house to advertise on a national scale. He has never believed his business was "different." "Fully 60 per cent of the influences that make the success or failure of any business are outside of that business," he told a manufacturer's group in 1929. "By this I mean that a manufacturer working in his own business, no matter how thoughtful he may be, no matter how hard he may work, no matter how good his judgment is, if he confines his thinking entirely to his own business, then the factors he covers are only 40 per cent of the total result."

Saunders Norvell's life story is an epic of selling, full of thrills, disasters and smiles. Once, in attempting to induce a small city merchant in the Southwest to trade up, he wagered he could go out and sell a \$25 door key. The merchant dared him to make good. Norvell found a banker who had just finished an elaborate new home. He made a beautiful, sentimental presentation of his idea and came away with

an order not for one, but for two solid gold door keys at \$25 each—one for the banker and one for his wife.

As a young salesman Norvell was sent into the Colorado territory at the time when that part of the West was mushrooming up overnight. He sowed new hardware stocks, onyx piano lamps, baby carriages and cutlery almost faster than the Simmons company could ship it out. At one time, just for the sport of it—he got no profit out of it—he sold 40 carloads of nails! Norvell's imagination was never limited by what had been done before in the hardware business.

A super-salesman himself, Norvell distrusts super-salesmen. "In picking salesmen I want to say that the most dangerous man to hire is a super-salesman—like myself," he said some years ago in a SALES MANAGEMENT article. "I have lost more money on super-salesmen like myself than on any other class."

Norvell's definition of "sales management" is "getting the most out of the average producer."

In 1924 "40 Years of Hardware" was written—an autobiography that is a Koran of selling. It is so human, so sound, so full of wisdom and human understanding, and so full of slants on the technique of star salesmanship that every American business man ought to read it. It beats an evening in any theater.

Mr. Bowker's First 4,000 Miles of Selling Hope and Fertilizer

BACK on the road, selling fertilizer and a more solid basis of hope for agriculture, Horace Bowker, president of the American Agricultural Chemical Company, New York, has covered 4,000 miles in the last three months; has interviewed thousands of farmers, dealers and rural bankers, from Maine and Minnesota to Florida.

Assuming a more aggressive personal responsibility for the welfare of the farm market, he is developing for his \$22,000,000 company a more definite identity.

But he is sowing some seeds, and fertilizing them.

The problem, he realizes, is largely one of morale.

It is also one of applying specific remedies to specific aches and pains.

Though collective and governmental action can help, every farmer must continue to straighten out matters with his customers, his banker and tax collector as best he can.

Mr. Bowker set out not only to teach but to learn. It takes a lot of effort to contact personally with representative thousands of the 30 million

knee-deep in freshly turned Long Island muck, went out, and found him!

He may chat casually and intimately with small groups (many of whom have not met the president of a large corporation before) but he brings facts to bear on their problems. His organization has armed him with data based on continuous and thorough studies of crops and markets in various localities. With the help of the sales executives and salesmen of each particular district, he localizes—individualizes—his sales story. When he approaches a dealer or a farmer, he knows the man's

BY
LAWRENCE
M.
HUGHES



Q A business executive (and a former farmer) tells a couple of ruralites how fertilization can help them. Mr. Bowker is on the right

Mr. Bowker's decision to spend three-quarters of his time on the road (SM 10/20/32) intrigued some readers. Other executives have wanted to know what he is doing and how he is doing it. So we spent a couple of recent days on the road with him.

Agriculture, at this writing, is still in the red, in spite of Mr. Bowker's efforts; and so is the AACC. Manifestly, it is impossible for him, or for any or all the leaders of agriculture to pull out in a few months this largest and most basic industry, continuously depressed for 12 years. There are too many national and international complications affecting it. No fancy packages or processes could stampede a market so wide, so varied and so depressed as this.

American people who live on the soil. Often he travels 300 miles a day to meet with a dozen different groups (in one North Carolina day he traveled 401 miles to make 18 calls). Sundays are no days of rest, either.

It takes persistence. One cold January evening, out on Long Island, Mr. Bowker and several of the company's sales representatives were making the last stop of a busy day. A call at the farmer's home met with the suggestions that he might be found at any one of three different farms. At the first two the man was not forthcoming. At the third there was no sign of life. Some of the rest of the force wanted to call it a day.

A gasoline engine could be heard out beyond the barn. Mr. Bowker,

relative value as a customer or as a prospect, as well as something about his personal and business situation.

Though in the larger meetings Mr. Bowker may outline the need, and the means, for such general measures as a moratorium on farm debts, for reduced farm taxes, and for the securing of government aid to enable farmers to produce on a profitable basis (including a Federal loan of as much as \$100,000,000 for the purchase of fertilizer to feed a badly depleted soil), he undertakes to convince each individual farmer that he must help himself as best he can.

The writer traveled with Mr. Bowker and three of his sales executives on a recent two-day invasion of New Jersey. At that time Mr. Bowker was

thinking and working chiefly on potatoes. On the Jersey swing he traveled by automobile about 500 miles—from Maplewood on the north nearly to Cape May on the south, with a one-night stopover in Trenton, and windup meetings the next day near Red Bank and Freehold. The invasion by the general had been planned by AACC's board of strategy ahead of time. Each stop, as he zigzagged down and up the state, was in the center of a large potential market. In these two days, Mr. Bowker held thirteen meetings. Leaving Trenton on the second night, he was ready to start three days of institutional sales work among tobacco growers of the Carolinas the next morning. Back in New York for a week, and then he was off to Buffalo, Detroit, Chicago, St. Paul, Milwaukee and way points, armed with fertilizer facts and market data on wheat and corn.

Accompanying Mr. Bowker on the Jersey trip were C. M. Schultz, manager of the company's Fertilizer Sales Department; W. T. Hart, district sales manager, and H. W. Bloomfield, sales supervisor for New Jersey and eastern Pennsylvania, with headquarters in Trenton. Mr. Bloomfield, best acquainted with that part of the trade, functioned as advance agent for the meetings and principal "introducer." A similar practice is followed in other territories.

Ruralites rise early, and Mr. Bowker, who was a farmer before he became a salesman, is up with them (even though he may retire at two or three the night before). The first of the Jersey meetings was at eight o'clock. Mr. Bowker had to travel 20 miles to get there. Three hundred and ten miles were covered before the group wound up at Trenton at 8:30 that night.

The Economics of Fertilizer

Typical of the larger meetings was one held at a country inn, near Freehold, in the center of a normally well-off potato-raising section. Farmers and rural business men drove in from twenty or thirty miles around. There must have been 90 of them, all told. They came as invited guests of the company. It was a get-together meeting, and something more. After a round or two of Jersey beverages, capable of putting even the most adamant prospect into a receptive mood, and a large and comforting meal, Mr. Hart introduced Mr. Bowker.

Mr. Bowker talked potatoes—a rather gloomy subject on that occasion. He believes in optimism, but hates

blind Pollyannaism and promiscuous ballyhoo.

"The soil," said he, "is the basis of our farm wealth. At this moment, due to three years of under-fertilization and consequent soil mining, it has probably reached its lowest ebb of fertility. This means lower yields of poorer quality crops—unless this situation is met promptly.

"For every hundred pounds of potato fertilizer, costing, say, \$1.40," Mr. Bowker explained, "the increased increment of yield in this state is 31 bushels. At 60 cents a bushel this means \$18.60 worth of potatoes for \$1.40. Assume, if you please, that instead of a twelve-to-one return, it is only half of that on the well-farmed soil of this locality. Yet the principle is so dramatically true, even under present conditions, that it justifies a fertilizer loan" by proving that the loan would be self-liquidating.

Mr. Bowker would "exact as a consideration for the loan a definite promise to reduce acreage, so as to use the fertilizer to farm a limited acreage intensively in order to get low-cost crops."

Teacher-Defender-Salesman

Realizing that, though greater soil fertility is the basic need, it is only one of the farmer's problems. Mr. Bowker also emphasized the "importance of proper grading as a factor in obtaining better prices. . . . The shipment of ungraded potatoes and other crops with good, bad and indifferent all mixed together is a costly nuisance. . . . Of equal importance is the matter of physical distribution. This involves even flow and sound geographical distribution. Huge economic wastes are caused by long hauls and cross-shipments." He suggested an early conference of the governors of the principal potato-growing states, in conjunction with the United States Department of Agriculture, to set up machinery for sounder marketing control.

American Agricultural Chemical Company has a force of 150 salesmen, operating from Cuba to the Rockies. They are capable men, the survivors of an organization which a couple of years ago numbered 250. They have a pretty wide knowledge of farm problems in their localities, and under Mr. Bowker's regime, they have been given more freedom, within their territories, to sell fertilizer as best they can. They could put over a "potato story" or a "wheat story" almost as well as their chief. Why, then, is Mr. Bowker spending so much of his own time in what might appear to be unnecessary duplication of effort?

The answer is this:

Many of today's problems, political and economic, Mr. Bowker believes, are due to lack of individual personalized leadership and definite responsibility. An organization can be no stronger than the man at its head. Whether or not it glorifies his ego, an institution must be the lengthened shadow of a man. Like the President of the United States who is, ex officio, commander-in-chief of the Army and the Navy and supervisor-in-chief of the State, Treasury and other departments, the head of a corporation is chief engineer, superintendent of plants and general sales manager. Not only is he chiefly responsible for its products and policies, he is the personification of them. For good will to be maintained and strengthened, the customers must know this man. They must be made to know how he is working to serve them.

Personal Responsibility

Mr. Bowker pointed to the efforts of chief executives in other lines of business to "personify" their products. In the automobile industry, for example, Walter Chrysler, John Willys and Charles Nash are being shown in advertisements for their cars. "They may or may not add much to the pictures," said he, "but they get over the idea of personal responsibility. Usually they achieve a broader and more constructive view of the whole marketing process and better teamwork all round."

Such a job, for agriculture and for the AACC, Horace Bowker is trying to do. And in his efforts to build up the soil he is also humanizing the selling process. A dignified, somewhat scholastic-looking gentleman, his pictures, perhaps, make him seem more austere and aloof than he actually is. Dealers and farmers in many states are learning that Mr. Bowker is more than a secluded executive (and is far from being that abhorred type of individual known, agriculturally, as a "Wall Street man"). They are discovering that his experience with farming is practical and his outlook broad. But they are also discovering a human being whom they are glad to invite to their homes—who will share their beverages or make off with their quarters in minor games of chance, and in general help give everybody a good time.

But for all that, Mr. Bowker has a serious job. He dislikes the allusion to his work as an "educational" program. It is that, and something more. It is a job of institutional selling through soil rehabilitation. Which is just another way of saying, he is out to sell more fertilizer.

Maxims of a Star Salesman

Mr. R. B. Douglass, vice-president of the Smith-Douglass Company, Inc., Norfolk, Virginia, manufacturers of fertilizers, has put into his sales manual a page or two of "Maxims of a Star Salesman." We liked his bits of wisdom so much that we have made these excerpts to pass on to you.

PROSPECTIVE buyers don't pay rent or salaries. The salesman who talks much about his prospective business is usually trying to camouflage the fact that he did little or nothing last month.



Photo by
H. Armstrong
Roberts

Always be courteous in the face of discourtesy.

You'll get further by out-thinking a prospective buyer than you will by trying to out-talk him.

Say nothing when you have nothing to say, and keep on saying nothing when the prospect has something to say.

Good listeners make more sales than good talkers.

You can't buy confidence and respect with profanity and vulgarity.

When the boss asks you what you think about a matter, tell him what you think, and not what you think he thinks.

An expense account offers you the best opportunity to convince your employer you are economical, honest and truthful.

Never mind the business outlook. Be on the lookout for business.

Confidence is the backbone of all business. Don't do or say anything that would tend to destroy confidence in yourself or your company.

In talking to a prospective buyer always imagine your boss is standing behind you listening to every word you are saying. Follow this rule and you will talk less, say more, make fewer promises and get further.

Every salesroom should be equipped with a full-length mirror with this suggestion hanging over it: "Before you go out to tell people you represent this firm, look yourself over and see whether you do or not."

Remember, every man is entitled to his own religious and political belief and it's not up to you to change either.

Look your prospect in the eye when you are talking to him—and tell him the truth.

Henry Dodd says: "The reason most people do not recognize an opportunity when they meet it is because it usually goes around wearing overalls and looking like Hard Work."

It is good to keep your muscles in trim by using them, likewise your brain. Much leg work and little head work seldom adds to a salesman's salary.

If that which you have been employed to sell were easy to sell, the boss would have hired a man for the job at half the money he is paying you. So be thankful that that which you are selling is hard to sell, and prove to your employer he used good judgment in picking you for a man's job.

Since the contract or order tells all the buyer is to get, there is nothing left for you to promise.

Do what you have to do and do it now. Spell "now" backwards and you have the answer.

The less you listen, the less you learn.

The old saw says every man has his price. That may not be true, but when I see an employe sacrifice the good will of a customer for a momentary gain I think, "surely that man's price is small."

Sit still, don't move around. Nervousness is contagious.

You are not dressed for work until you put on a smile.

How Imperial Induces Key Dealers to Feature Its Line of Candies

BY MANDUS E. BRIDSTON

A "mutual merchandising agreement" has enabled the Imperial Candy Company to win many good outlets on an exclusive or semi-exclusive basis, and, where the plan has been intelligently exploited, has enabled many dealers to double or more than double their sales in the candy department.

MANY a manufacturer dreams of the day when his retail dealers will give his line a real break. He grows weary of supplying beautiful display lithographs, only to find them stuck away behind boxes in the rear room. He gets discouraged when, after a costly advertising campaign in which each dealer gets a play in his own territory, he too often finds his merchandise hidden away on a rear shelf, while a competitive line gets the spotlight in a front showcase. Why build up dealers for the benefit of competitors? It is a real problem!

The Imperial Candy Company, Seattle, manufacturers of Société brand candies, have solved the problem very adroitly, and incidentally have in many cases doubled the candy volume for retailers who were willing to follow the rules.

And very specific rules are involved. It is the small neighborhood or small town retailer who is most badly in need of merchandising assistance, and he is the one who most often follows each new Pied Piper offering a new line or a "special" deal. The Imperial Candy Company has induced its dealers to adopt an annual merchan-

dising program, exclusive on its line, that permits the manufacturer to concern himself with something more constructive than fighting off other competitors. A written agreement is

tomers' business instead of the crumbs. Obviously, we had to do something besides sending salesmen into the territory, in order to justify a dealer in giving us the cream of his business. To ask for it is not sufficient. The dealer must feel *obligated* to give it to us! That is the psychology of our plan. We had something more in mind than casual, verbal promises.

"However, a written agreement isn't worth much unless the spirit and the letter is fair and square and the terms of the contract bring mutual benefit. There is only one thing we can do for our dealers to make them feel obligated to play the game with us, besides furnishing quality merchandise at fair prices, and that is to help them sell this merchandise at a profit. But a dealer must be worthy of this assistance on a long pull.

"Hence, we sent our men into the territory with thoughtful and analytical minds. We instructed them to select twenty dealers whom they thought worthy and able to work with us on our 'Mutual Merchandising Program.' Following the submission of these lists of prospects, we sent a merchandising expert into the territories who traveled incognito as an investigator. His recommendations narrowed the list



Imperial's "mutual merchandising plan" has resulted in the company's winning many excellent exclusive window displays. This one was used by the Bon Marche, Seattle department store.

involved which makes an impressive gesture.

"We launched our 'Mutual Merchandising Plan' with a great deal of forethought and careful planning," reports John Dudley Roberts, sales manager of Imperial Candy Company. "It was a battle for more volume in the home territory at a time when it was the consensus that no new business was available. We wanted our men to bring in real orders instead of an item or two. In other words, we wanted the cream of our cus-

supplied by our salesmen. Some of these proposed dealers had never before handled our line.

"To have included every Tom, Dick and Harry in our program would not only have been poor business—a poor investment in time and expense—but poor psychology. Dealers selected felt justly complimented. We concentrated on neighborhood stores, some of which did not even have a candy department."

Under the terms of the written
(Continued on page 274)

Are the Railroads Riding Into a Hurricane of Public Disfavor?

SO far as the railroads are concerned, there are no new developments, as this issue of SALES MANAGEMENT goes to press, on the scrip book proposal.

On the part of the business men who have been trying to reason with the railroads on the matter, however, there *are* developments. What has hitherto been a gentle insistence on their part for a more equitable deal from the railroads, especially on rates as applied to commercial travel, has developed a new and deadly serious note: a note of bitterness and resentment, a note which clearly indicates that business men are rapidly losing their respect for the capacities and the policies of railroad management.

This is only another way of saying that whatever good will the railroads may once have enjoyed, either through their efforts to improve the service and to enhance the comforts of rail travel, or through their expenditures for advertising, is being rapidly converted into ill will. And ill will on the part of the American public toward any industry, as Mr. Rockefeller, Mr. Sloan, Mr. Gifford, or any other of our recognized business leaders can tell the railroads, is a problem that takes years and millions of dollars to overcome. It's as hard to fight as a plague.

This feeling of ill will which is spreading so rapidly reveals itself in hundreds of letters which SALES MANAGEMENT has received since opening its pages for the expression of honest, sincere opinion, and the recording of concrete, irrefutable facts as to the manner in which business building forces are being handicapped by present railroad rate policies. The expressions are particularly vigorous because company officials everywhere know that the railroads themselves can never get back to a position of operating efficiency until they *do* take some action along the lines pointed out. It is contrary to all ordinary horse sense that action so mutually desirable should be so inexcusably delayed.

The attitude of American business men is well epitomized in a single sentence from the letter of Mr. F. W. Swanson, president, the Globe Machinery & Supply Company (his letter is printed on page 268). Mr. Swanson

says, briefly: "If the railroads are to win back not only travel, but the support of the public, *to say nothing of their sympathy*, they must change their tactics. . . ."

It should be made very clear that the editors of SALES MANAGEMENT are not placing all the railroads in the same category. A few of the organizations in the industry have, without a doubt, awakened to the demands of a new era of transportation merchandising and have sought to do something about them. However, the point to be made is that the reactionist philosophy so lamentably common to the other members of the industry is generating a public distrust which is visited, with great impartiality, upon the industry as a whole.

The exigencies of the depression have changed the whole problem of public relations for the railroads. The "shush-shush" attitude on their part—the attempt to quash all publicity of any kind, instead of regarding such publicity as an opportunity to make their problems and their aims clear to the public—developed largely out of their fear of government intervention. Now the roads are actually begging the government to do something to get them out of the mess in which they are bogged. Under these conditions it would be wise for them to consider whether the time is not ripe for the launching of a program for taking the public into their confidence, a program which by sheer candor and friendliness would dispel this great cloud of distrust which has been gathering.

The American Telephone and Telegraph Company has built for itself an incalculable amount of good will through its efforts to make friends with its public. Call at their offices to ask a question; their officials will not only answer your queries intelligently and pleasantly, but they will serve you as though honored at your call. . . . But have you ever tried to get any help from the men behind the official doors in most railroad executive offices? You are given the very definite impression that your presence is undesirable, even that your questions are impertinent. By mail you may receive a civil—oh, very civil!—response which is the black-and-white embodiment of the traditional

"tell 'em nothing" attitude which has so long existed in this industry.

The American public does not like to be pushed in the face. It likes to be on friendly terms with the companies with which it does business. Many of our commodity manufacturers have paid a high price to learn the bitter lesson that "we do not like you" is sufficient reason for consumers taking their patronage elsewhere. This, we say to the railroad industry, is what is happening to you.

* * *

Here is the way some more company officials feel about the need for a quantity mileage rate in the East:

By Emory C. Perry
C. A. Boyle & Company, Inc.,
Chicago

If the railroads want some real good facts as to whether or not they are losing business, just turn this letter over to them.

Starting next Saturday morning, the writer and two of our sales managers will leave by automobile for an extended trip through the East. We will make three trips between Chicago and the East Coast between now and the first of July.

We have three sales divisions in our company which are operated as separate units, and we have found a considerable saving in pooling our trips for our executives and traveling by automobile. Each sales manager has his own sales representative in the principal cities we stop at, and we travel by car in their territory. This means that there are six men traveling in the territory.

Here is an example of what the Pennsylvania Railroad Company is losing in the way of business from us by not giving this subject attention before this time. When we leave Chicago next Saturday morning three executives will travel straight through to Washington, D. C., arriving there Sunday night. We pick up three men in Washington on Monday morning—one coming from Philadelphia, another from Baltimore, and the third living in Washington. These men travel with us to Baltimore, Wilmington, Atlantic City and Philadelphia. We pick up three men at Trenton—

two coming from New York City and from Newark, New Jersey—and we travel the extreme eastern parts of Pennsylvania, the State of New Jersey and New York City.

We have become somewhat accustomed to traveling this way, as we have been operating like this for over a year. The writer took the time on two different occasions to call this subject to the attention of the Pennsylvania Railroad, as we did considerable traveling on this particular road, and their Passenger Department informed us that they did not believe there would be much of an advantage in quoting special rates, as the people who were traveling East had to travel more or less, and the reduction would not stimulate enough added business. With this attitude, we naturally adopted an arrangement that would effect a saving for us immediately.

I think, in addition to the railroad fares being too high, the Pullman rates are entirely out of order. If the railroads want our business back again, they will have to do something very shortly to prove to us that they wish to cooperate in reducing our traveling expenses. Hotels within the past few months have reduced rates considerably and hotels we make it a point to stop at made us special rates to make certain of our business.

I feel that the railroads will have to do just about the same as we are doing if they expect salesmen again to be put on the road using trains.

By Paul R. Berryman

Vice-President,

*The Trenton Potteries Company,
Trenton, New Jersey*

Your articles appearing in the past two issues regarding the adoption by western railroads of scrip books at a 25 per cent saving make the best reading we have encountered in a long time. When, oh! when, will such a move be taken by the eastern roads?

With salesmen's expense budgets being pared down to their absolute minimum, present-day conditions have forced us to reduce the number of trips our men take around their territories, due principally to the cost of travel. We have been able to make some saving through the reduction of present-day hotel rates, but railroad fares still make a big hole in the monthly budget.

Were a 25 per cent saving possible in rail rates it would enable us to have some of our men make at least one more trip a year, their territories being quite large, and in that way better by that much the service to our customers. From our viewpoint, then, the rail-

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Western Scrip Books Go Like Hot Cakes: One Road Sells 2,500,000 Miles in February

SCRIP books representing 2,500,000 miles of travel were sold in February by one western rail line. The North Shore electric line, operating only between Chicago and Milwaukee, sold scrip totaling 150,000 miles of travel. This line has had interline ticketing arrangements with the steam roads for several years.

Practically every western line reports active buying of scrip books. The Chicago & North Western, which has made the most aggressive campaign of all, is believed to have made the largest sale of books, though comparative figures are unavailable at this time.

"Sale of scrip books by our eastern agents, in New York, Pittsburgh and other places, have been greater than we expected," said a North Western official. "These were bought by eastern commercial travelers who were headed into the western territory."

The Chicago, Milwaukee & Puget Sound line, which put the books on sale at all points between Chicago and Seattle, reports "substantial sales." Biggest demand was for the \$54 book.

Receipts at the city ticket office of the Santa Fe in Chicago were reported 5 per cent over the same month a year ago. The Wabash line reports that a considerable number of large concerns have bought books.

Conflicting views and opinions were voiced by a number of railroad officials interviewed by SALES MANAGEMENT.

"Scrip books were offered with view to giving the commercial traveler a lower rate than the public," said one official. "We find to our dismay that many people, not regular travelers, are taking advantage of the scrip books. This does not mean new business, but it does mean a loss of about 25 per cent of the fare."

Another railroad official, within the same hour, said:

"We are glad that the public is discovering the scrip book. Many individuals, embarking on some trip or other, finding that they can use the scrip book to advantage, are buying them. We want them to do it. We feel that it encourages travel."

Another, pessimistic, said:

"We sell a scrip book but we do not know what part of the money we can keep. The most of it may be used on some other line and we will be charged for it later."

Then an optimist spoke:

"We sell a scrip book. We get the money. Even if we have to pay a part of it to some other line in the end, we will have use of that money—perhaps for months."

Agents when selling scrip books, or exchanging tickets for scrip, have been asked by a number of roads to enter into friendly conversation with scrip users, to learn whether they are traveling men, using them for station-to-station travel, or one-trippers who make up the public.

The official of one road permitted the SALES MANAGEMENT man to see some of these reports. A few are cited below:

Cincinnati—Greater proportion of station-to-station travel.

Detroit—Kelvinator Company routing a number of men by train instead of auto.

Dixon, Illinois—Purchaser of \$81 book said he would use about forty books this year.

Kenilworth, Illinois—Twelve books sold; eight for station-to-station travel.

Oak Park, Illinois—Five books sold, all for station-to-station travel; one to man who had used auto exclusively.

Winnetka, Illinois—Six books sold; one buyer said house had ordered all traveling men to use trains instead of autos.

Cedar Rapids, Iowa—Twenty books sold; fifteen for station-to-station travel.

Marshalltown, Iowa—User said he traveled 50,000 miles every year. Has been using auto; will use trains.

Deadwood, South Dakota—Two books sold to traveling men; both had been using auto heretofore.

Madison, Wisconsin—One company bought five books; men have been using autos mostly in the past.

Huron, South Dakota—Seven men, exchanging scrip for tickets, said they had been using autos.

Rapid City, South Dakota—Users of scrip, when questioned, almost all said they were traveling salesmen and the general feeling was that, with the lower price and the 300-pound baggage limit, train travel is cheaper than auto transport.

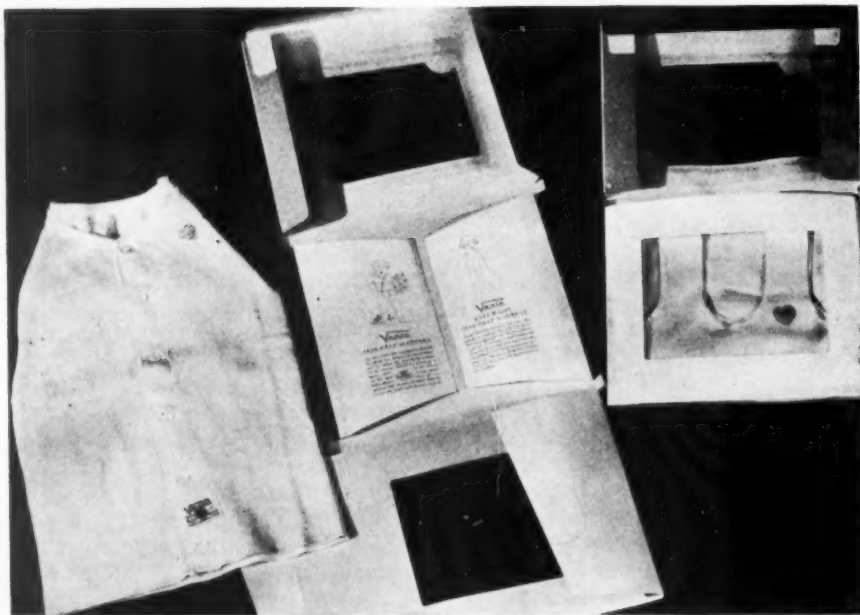
Antigo, Wisconsin—Traveling man remarked he was using trains for the first time in five years.

Rhineland, Wisconsin—Two traveling men reported their house had directed them to use trains instead of auto.

An official of a southwestern line said:

"We are calling attention to the fact that the general public can save money by using scrip books to New Mexico, Arizona, California and other distant points. We are also calling attention to the fact that people who wish to take their motor cars west can do so on scrip mileage—four books carrying two people and a car."

(Continued on page 268)



Behind the scenes of the one-piece folding box which enables Vanta to maintain its claims of sterile contents. The construction of the box yields maximum display value, keeps the garment smooth and hermetically sealed. Construction and design created by Martin Ullman.

Store Buyers Hail Improved Pack for Baby Togs

BY R. S. McFADDEN

"IDEAS are more valuable as a selling aid than booze," said George F. Earnshaw in 1925, when sales managers all over the country were asking themselves: "Should we buy business with booze?" And in 1933 George Earnshaw still believes that ideas will sell goods, keep up prices and profits.

As a matter of fact, the Earnshaw Sales Company was started in 1912, on a string. But the string had an idea attached to it. The idea was that dressing babies with pins and buttons was unfair to the defenseless young 'uns, and that strings must take their place.

Department store buyers didn't get as excited over the string idea at first as Mr. Earnshaw was, but after several years of being continually bombarded with ideas for more effective merchandising of infants' wear, Earnshaw, his goods and his ideas became an integral

part of almost every infants' wear department in the country.

"Ideas generate ideas," and this is the story of Earnshaw's latest idea for merchandising infants' wear, and how it caught on.

The fact is that the latest idea was generated by the preceding one, so we'll trace the steps of their evolution. Vanta (the registered trade name of Earnshaw's infants' garments) wanted a brand new selling feature. They had worked for years to bring the garments themselves to the point where there seemed to be no room for improvement, so their presentation

suggested itself as a point of attack. No matter how spotless the goods was when it left the Earnshaw factory, the fact was that after a few fond mother customers had fingered an item it looked soiled—a habit which raises more buying resistance in the infants' wear field than any other. How to keep them clean until they got into the nursery? Clean? Clean wasn't enough—why not sterilized?

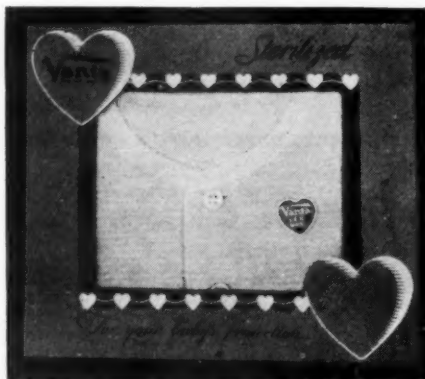
In a day when most babies are born in hospitals, when mothers are exposed from the day of the baby's birth to the importance of sterilizing everything that comes in contact with their babies—wasn't it a stroke of genius for a manufacturer of infants' garments to capitalize on this education?

So Earnshaw invested in a battery of sterilization conclaves such as they have in hospitals, and the "merchandising idea" was in full swing. Sterilization, of course, led to packaging, and the first step was a paper bag container in different sizes for the various garments, with one printed surface explaining the contents and the merits of Vanta and sterilization. The paper bag was effective from the safety standpoint, but set up a difficult merchandising limitation. People want to see what they're buying, and if the package was opened at the counter the value of sterilization was lost. Also the paper bag often became crushed with handling. Earnshaw recommended that stores open one package of each different type of garment for display purposes, but each actual purchase was blind.

Vanta sold and maintained prices in spite of these handicaps, but it took consistent advertising and promotion to keep the idea sold. Earnshaw believed in the value of sterilization, but realized that it was a handicap to have to sacrifice eye appeal for its sake. Then came Cellophane—and the discovery of a man who could design a folding box that would keep goods sterile. Martin Ullman designed the construction and the appearance of the present container, keeping the adver-

(Continued on page 272)

At right, the Vanta package "before"; at left, after Martin Ullman devised a package that would serve as a frame for the garment, the open window permitting a view of the style, quality, weave of fabric, etc.



Johns-Manville's Time Payment Remodeling Plan —and How It Works

BY J. L. WOOD

*Credit Manager,
Johns-Manville Corporation,
New York City*

THE Johns-Manville deferred payment plan for financing home remodeling contracts—which, for the first time, has brought time payment financing by a manufacturer into the building materials field in such an extended way—has passed through three stages in its three-year history and has become more effective and workable with each stage, until now it has proved a real business getter with less than a 2 per cent credit loss.

When the plan was adopted three years ago, the company felt that the deferred payment plan would work in the building industry for three reasons:

1. There is a truly tremendous market in the remodeling field, the surface of which has been barely scratched—a market which ordinary sales methods cannot hope to touch—a market of some \$250,000,000.

2. The financial responsibility of a home owner is usually considerably more reliable than that of a man who rents his home. The mere fact that he owns his home and has a reasonable equity in it is evidence of industry, thrift and permanence.

3. The home owner has already learned the advantages of deferred payments through the active solicitation and advertising of the manufacturers of electrical appliances, automobiles, radios, etc., and is, therefore, entirely receptive to the presentation.

The present Johns-Manville plan, which has been in operation since Sep-

tember, 1932, makes it possible for the home owner, through his contractor, to finance remodeling jobs in the following manner:

Johns-Manville does the financing, and, immediately upon completion of the job, advances to the contractor 100 per cent of the contract with the home owner. It is a non-recourse plan, there being no liability, actual or contingent, on the part of the contractor with respect to the credit risk. Johns-Manville assumes not only all of the credit investigation expense, the legal expense and the collection expense, but also all of the credit risk. The contractor's only responsibility in the job is for his workmanship and, in the protection of responsible dealers and contractors against unfair competition, each deferred payment contractor is required to execute a guarantee of his workmanship. The guarantee takes the form of a simple agreement to adjust satisfactorily any complaints concerning workmanship, or, failing to do that, to repurchase the note. Without this protection, irresponsible contractors would be encouraged to cut prices and do slipshod work, since they would have no responsibility in the job after it was completed. Johns-Manville carefully checks the contractor's reputation for workmanship before he is approved to operate the plan.

Terms are as follows: deferred balances up to \$300, maximum 12 months; deferred balances \$301-500, maximum 18 months; deferred bal-

Date Dec. 1, 1932.

TO: Johns-Manville Sales Corporation
294 Madison Avenue
New York, N. Y.

In consideration of your purchasing of me (us) from time to time instalment notes of my (our) customers without recourse to me (us), I (we) hereby agree that in the event you receive any complaint or complaints as to the quality of my (our) workmanship from one or more of my (our) customers whose note or notes you have purchased of me (us), and arising out of work performed by me (us) for such customer or customers, I (we) will immediately adjust such complaint or complaints to the satisfaction of the customer or customers, or failing to do so, will repurchase the note or notes paying therefor the amount of any unpaid balance thereon.

Signed Raye Roofing Co.
By J. B. Raye, Pres.
Address 32 Main St.,
Riverside, Ill.

Witness:
L. K. Carmichael

For his own—and Johns-Manville's—protection, each contractor participating in the time payment plan must sign this guarantee of workmanship.

ances in excess of \$500, maximum 24 months. The finance rate is 1 per cent a month. The contractor must get a 10 per cent down payment. The rest of the total cost of the job Johns-Manville will finance, provided its materials amount to 25 per cent of the total of this remainder.

The plan offers an incentive to the contractor to go out and get business, rather than to sit in his shop moaning that "nobody has any money to buy." In order to make this incentive practical, the plan has been made as easy as possible for the contractor to work.

The first step any contractor must take to become a user of the plan is to clear his own financial house and get the approval of the company. This is done for two reasons: First, because the company must be sure of his local standing, since the plan does not tie up the contractor financially. Second, because, by reserving the right to withdraw the privileges of the plan from any contractor, the company has a guarantee that the contractor will use good workmanship and Johns-Manville materials. Thus, also, the fly-by-night dealer is kept out of the picture.

If the company approves the dealer's statement of his financial standing, the dealer is sent a pad of customer agreements or contracts. This agreement is signed by the customer in placing his order with the contractor, and contains both specifications for, and authoriza-

tion of the work. It is in quadruplicate—one copy for the customer, one for the contractor, one for Johns-Manville, and the last, the tissue, also for the contractor but to remain in the agreement or order book.

At the time of signing the order, the customer also supplies the contractor with credit information about himself. This the contractor enters in the bottom section of the perforated triplicate Form C (Purchaser's Statement, Completion Certificate and Note). He then collects the down payment on the job, which he keeps, but mails the agreement and the purchaser's statement (detached from the triplicate form) to the nearest Johns-Manville district office.

Johns-Manville's credit department investigates the home owner's credit and, if this is approved, notifies the contractor to proceed with the job. When the work is completed, the contractor has the customer sign the note and completion certificate, which are also sent to the nearest Johns-Manville district office. Upon the company's receipt of these, he receives a check for the full amount financed.

Only 2 Per Cent Credit Loss

Although Johns-Manville assumes all the risk in this deferred payment plan, results have proved that it is a slight one—less than a 2 per cent credit loss. The 2 per cent figure is especially noteworthy, since it applies not alone to the plan now in use, but is an average loss entailed through this plan and the two which preceded it. The first of these, in use two years, was worked through a finance company, but it was finally discarded because the finance company turned down so many contractors to whom Johns-Manville would gladly have extended credit. The second plan, put in use in April, 1932, was financed by Johns-Manville themselves, but it had a recourse feature making the contractor responsible in case the company was not able to collect. Many contractors were afraid of this clause. But, since the adoption of the non-recourse plan, in September, contractors are taking to the plan whole-heartedly.

Of course, any finance plan of this type must include insistence on very rigid credit investigation. Johns-Manville's credit department turns down about 25 per cent of the contracts offered by their dealers. Furthermore, the credit department has learned by experience what to look for in determining a good credit risk. For instance, the first requisites of a good deferred payment risk are steady employment of the home owner, reasonable assurance of a continuation of that

employment, and a sufficient income to meet all of his current obligations and living expenses as well as the new obligation which he is contracting. If the purchaser is unemployed, is in danger of losing his employment, or if his income is insufficient to provide for his living expenses and the payment of his debts, he is not a good deferred payment risk, regardless of the amount of equity he may have in his property. He cannot meet installment payments with this property, and although the real estate equity might safeguard against a credit loss, the expense of collection would make the transaction decidedly unprofitable.

It is important to consider the purchaser's age. If he is well along in years and working for a salary without additional income, it is possible that his salary may terminate at any time with attendant collection difficulties.

The number of persons dependent for support upon the purchaser needs consideration with respect to whether the income is sufficient to provide for their support.

Consideration must be given to the purchaser's occupation, as to whether it is steady or seasonable or likely to change. If the purchaser is a government employe his income cannot be attached, and this must be given due weight.

Length of service with present employer is important. If the man being investigated has held one position for several years—a position consistent with his age—that is evidence of stability and permanence. The purchaser's record for payment of his bills is likewise of considerable importance. If he is notoriously slow-pay, he is not an acceptable credit risk. If there is a record of a number of suits against him, even though they have been satisfied, this would tend to indicate inability or unwillingness to pay, or a highly contentious nature.

Far-Reaching Investigation

If there is anything in the credit report to indicate that the purchaser is not a good moral risk, he is not an acceptable credit risk.

Since there is no possibility of repossession in the sale of materials used in home improvements, as is the case of automobiles, refrigerators, radios, etc., the protection against loss is involved mainly in the owner's property; hence, the question of proper equities must have careful consideration. To be acceptable as a credit risk the owner must have at least an equity of one-third of the market valuation of the property.

If the equity of the property is insufficient, the credit department always

suggests to the contractor the possibility of securing another responsible co-maker before declining the contract.

Careful consideration is given to the question of whether there is fire insurance on the property sufficient to cover not only the mortgages but also the owner's equity.

Credit approval is never given where there are any liens pending or judgments of record. All liens and judgments must be cleared of record before the contract is acceptable.

No contract is acceptable, likewise, if there are foreclosures pending against the property or any record of foreclosure proceedings having been brought in the past.

Unusually Good Results

Put into effect September 1, 1932, the new plan brought an immediate jump in sales over the two previous plans; October sales were the highest in two years. Because the season is slack after October, sales of course have decreased, but the company expects the spring season to show a very definite increase.

So far, the average contract taken through the plan amounts to \$244. For all the Johns-Manville materials sold in this manner, as much again was paid for in cash—the customer deciding to take advantage of the discount. This must be credited to the plan, because the plan got the contractor out selling; he offered to do the job on deferred payments and the customer finally paid cash to save the financing charge.

The plan has worked to the advantage of many dealers. An eastern dealer, for example, who urged his contractor customers to use the plan, states that it has increased his business 30 per cent. Other dealers like it because it helps them collect poor accounts—in this way: the contractor passes the forms through the dealer who is to advance him the materials. When the check is paid by Johns-Manville, it is paid to the dealer, who by arrangement with the contractor, takes out the money owed him for the materials used in this job and a little extra on the contractor's past indebtedness. The remainder is passed on to the contractor.

The plan is being merchandised to dealers and contractors by means of booklets, trade advertising, direct mail helps and personal contact of the sales force and representatives of the credit department.

The public is being constantly made "repair-conscious" through national magazine advertising featuring the headline: "A Million Dollars to Lend."

"WE ADDED THE TELEPHONE TO OUR SALES FORCE"
 says the President of The Champion Coated Paper Company
"... AND IT BECAME OUR STAR SALESMAN"



Long Distance and Teletypewriter Service spread fan-like from the mills and district offices of The Champion Coated Paper Company, bringing constant personalized contact with over 100 paper merchants and the customers of these dealers.

AMONG today's successful concerns is The Champion Coated Paper Company, of Hamilton, Ohio. Since 1929 it has increased its production capacity by nearly 25 per cent.

Like other successful companies, Champion finds Long Distance telephone service one of its essential and profitable aids in meeting changed business conditions. "The telephone is in the position of star salesman," says the President. "It is more important than ever in keeping in touch with the broad limits of the national market. We have materially increased our use of Long Distance in recent months."

Executives of small concerns as well as large are using Long Distance to put new vigor into selling activities. It is *economical* . . . savings in time and money can be effected in many ways. It meets today's demand for *speed* . . . business men can visit

any number of customers in minutes. It is *personalized* . . . friendly voice-contact is brought to transactions between men separated by hundreds of miles. It is *two-way* . . . proposals can be discussed pro and con, and agreements quickly reached.

Long Distance brings new economies and new efficiency to every department of a business. Let your local Bell Company show you how.

LONG DISTANCE RATES ARE LOW

Typical Station-to-Station Rates

From	To	Daytime	7 P.M. 8:30 P.M.	
Boston	Philadelphia	\$1.25	\$1.10	\$.75
Minneapolis	Chicago	1.60	1.35	.90
Miami	Atlanta	2.55	2.10	1.40
Denver	St. Louis	3.25	2.65	1.75
New York	San Francisco	9.00	7.25	5.50

Where the charge is 50 cents or more, a federal tax applies as follows: \$.50 to \$.99, tax 10 cents; \$1.00 to \$1.99, tax 15 cents; \$2.00 or more, tax 20 cents.

JUST CALL YOUR BELL



TELEPHONE BUSINESS OFFICE

Meet the GEORGE

*Check these jobs that he can do for you
Quickly... Efficiently... Economically*

BLANKET MARKETS WITH A SELLING MESSAGE

Automobiles, tires, refrigerators, oil burners, carpets, furniture, clothing, hats, furs, jewelry, cosmetics and drugs are among the products sold by Postal Telegraphs.

CONDUCT SAMPLING CAMPAIGNS

A breakfast-food maker distributed millions of samples throughout the U. S. A. A hair-oil manufacturer tested the market for a new product in 24 hours. Both used Postal Telegraph.

HANDLE MARKET SURVEYS

Spot or massed surveys by Postal Telegraph produce results overnight. They get facts while they are *facts*, and not ancient history. No waiting. No crews.

CABLEGRAMS AND RADIOGRAMS

If there is a "foreign slant" in the transaction, Commercial Cables, All America Cables and Mackay Radio are as readily available to send messages anywhere abroad or to ships at sea.

GET ACTION FROM DEALERS OR SALESMEN

Postal Telegraphs coordinate sales effort and speed up action. They tie up your dealer and field work with consumer advertising or sampling campaigns.

SECURE AIR RESERVATIONS

Postal Telegraph provides you with up-to-the-minute air travel information without delay... makes your reservations and delivers them at your home or office.

SHIP BY AIR EXPRESS

Air express and air freight shipments delivered to air line for shipment, and to consignee at destination.

GEORGE is wholly at your service. In New York and in every major center of the U. S. and in many hundred smaller places, George multiplied thousands of times is ready to put new snap into your business efforts.

Today Postal Telegraph is far more than a call-box in your office, a boy to take your message and a mysterious force that delivers it a few minutes later in a distant city. Postal Telegraph has been buckling down to the serious job of being the American sales manager's right hand man.

Sometimes it was the sales manager who first saw how we could help him in some new fashion. At other times the idea struck us first, and we did the suggesting. Here, then, are the various Postal Telegraph supplementary services that should be of special interest to you whose task is distribution.

Would you reach thousands of pros-

pects from coast to coast, drive home fifty sales-clinching words at an average cost of less than a penny a word, and land orders in a high percentage of cases? Use Postal Telegraph, as others have.

Would you distribute samples in such a way that recipients gladly open doors, accept your offering and even make its arrival a subject of bright conversation? Use Postal Telegraph... in any market or all markets... as others have.

Would you tap a new territory with 75 or a higher percent of dealer representation, with window and counter displays, and whole-hearted cooperation in every store? Use Postal Telegraph, as others have.

You can pave the way for sales by telegraph... and make sales. You can secure dealer assistance and stimulate and assist your salesmen. You can get

things started, keep them moving and speed them through to completion.

If you are not already using the ideas contained in our booklet, "The Best Business Builders in Ten Years", see your local Postal Telegraph Representative. He will gladly assist you in every way possible.

★ ★ ★

Postal Telegraph is the only American telegraph company that offers a world-wide service of coordinated telegraph, cable and radio communications under a single management. Through the great International System of which Postal Telegraph is a part, it reaches Europe, Asia, The Orient over Commercial Cables; Central America, South America and the West Indies over All America Cables; and ships at sea via Mackay Radio.

**THE INTERNATIONAL
SYSTEM**

Postal Telegraph

Commercial
Cables



All America
Cables

Mackay Radio

E of "Let George do it"



Embattled Farmers Find a Way to Buy Smith-Douglass Wares

The Smith-Douglass Company, of Norfolk, Virginia, has not joined in the general dirge over the plight of the farmer as a prospect.

Believe it or not, Smith-Douglass increased its fertilizer sales last year about 4 per cent. It has, in fact, increased its sales every year since starting in this business a dozen years ago. Always aggressive—without trying to bite off more of the market than it could chew—it appears that certain merchandising policies, just introduced, may enable Smith-Douglass to do even better in 1933.

Among these are a guarantee of results, on two of its brands, for potato and for tobacco growing, which states that if after using this brand and marketing the crop the farmer is satisfied that the brand "is not worth the premium we charged you for it above the cost of other fertilizers, we will cheerfully refund the premium to you in cash."

Another is an unusual sales manual—leather covered, zippered on three sides—intended to enable the representative to present a more convincing story and to be of greater service to his customers and prospects.

The estimated production of fertilizer in this country last year is about 4,000,000 tons, a decline of more than 50 per cent from the average of the previous decade. In the last five years, however, Smith-Douglass has increased its fertilizer business more than 50 per cent.

In 1920, at the time when the agricultural depression, which has since become yearly more acute, was just getting under way. Oscar F. Smith, then 28, started in to make a business out of his knowledge of fertilizers and of truck farming in the Norfolk territory. R. B. Rowland, 25, was his partner. It was known as the Smith-Rowland Company. In 1927, R. B. Douglass joined the organization and became vice-president in charge of sales, with Mr. Smith president and Mr. Rowland, vice-president and secretary. They are still young men—their average age being 39½ years—with a young organization, the thirteen executives and senior salesmen averaging 35 years.

But they are veterans in overcoming obstacles.

In addition to depression, Smith-Douglass has been confronted by several large, semi-national fertilizer concerns, some of them capitalized at a score of million dollars. Perhaps these

were too large and unwieldy. At any rate, Smith-Douglass sales have been expanded not by attempting to sell all over the country but in one definite locality. With plants at Norfolk and Danville, Virginia and Kinston, North Carolina, its marketing territory is still confined to these two states, parts of West Virginia, South Carolina, and a small area in northern Florida.



R. B. Douglass

Instead of trying to devise fertilizers to meet every type of crop, the company makes products largely for tobacco, cotton, corn, peanuts and for the truck and grain of these localities.

This concentration the three executives believe to be a primary reason for their success. In addition to knowing the soil and the crops of this area, "our sales policies are made with intimate knowledge of our customers in mind, rather than by a board of directors sitting in some far-off big city. . . . Our salesmen and our customers know that they can see the officers of this company at any time—that they can get prompt and sympathetic decisions."

This policy is being emphasized more and more through direct sales to farmers by the S-D representatives, though in some territories dealers are still employed. The erection of the two branch factories also was intended to bridge the gap to consumers.

Smith-Douglass is now advertising, through Charles Austin Bates, Inc., New York, in 60 weekly newspapers in its territory, and the Virginia-

Carolina edition of the *Progressive Farmer*. The advertising is also intended to support the use of the sales manual, which was prepared by the Bates agency.

Though still an extensive advertiser in its territory (when the appropriations of some of its larger competitors have been reduced to the vanishing point), S-D places most emphasis on personal selling.

One of Mr. Douglass' messages to his men is this: "If letter writing and telephoning would bring in orders and signed contracts, you would not be on the payroll as a salesman. Do you get the idea?"

Some others are:

"Good listeners make more sales than good talkers. . . . You'll get further by out-thinking a prospective buyer than you will by trying to out-talk him."

"Every salesroom should be equipped with a full-length mirror with this suggestion hanging above it: 'Before you go to tell people you represent this firm, look yourself over and see if you do or not.'"

Marlin Springs Sets Out to Rival French Lick in Re-Laxing Nation

Exactly a year after its mineral crystals were introduced, the Marlin Mineral Water Company, of Marlin, Texas, has completed a new plant, with 20 times the capacity of its predecessor, and is making plans to extend its distribution and promotion, next fall, throughout the nation.

The crystals, made from the hot mineral waters of that health resort, are now distributed in the southwest through wholesale and retail drug channels. Advertising, directed by Rogers-Gano Advertising Agency, Houston, has been based on the theme "keep you fresh and clean."

The success of point-of-sale, newspaper and radio promotion, attracted inquiries from other sections of the country. The plant is now operating 24 hours a day, said Harold J. Gilliam, account executive at Rogers-Gano. The company retired all financial obligations in the first ten months, and has since built up a cash reserve.

Mr. Gilliam expects newspapers, magazines and radio to be used nationally as soon as distribution can be effected.

"Nature's aid to health for all humanity," the crystals are an alkaline laxative, reduced to crystal form by evaporation, and sold in Cellophane-wrapped packages for household use.

Are Successful Sales Ideas Worth a Dime Apiece?

This "Clearing-House" Service Offers You 60 Ideas a Month at That Rate



Walter Mann

It's all trial and error these days!

Most of the so-called "new ideas" that have brought depression success (and there are many of them) have merely been adaptations of plans, methods, stunts that have been successful in other lines.

There is no better basis for deciding which of the many possible plans and policies deserve a try-out in these unusual times than the study of the current experience of others, as reported in the distribution trade press.

The "clearing-house" method of checking-up on successful sales strategy is the basis of this Marketing Reference Service, a service which provides weekly briefed items from twenty leading distribution trade papers for the absurdly low sum of \$6.00 a month! In this Service you get:

1. **Distribution Digest**—a monthly 24-48 page illustrated digest of all items of permanent fileable value in twenty leading general distribution trade papers, averaging 500 items monthly, page size 8 1/2 x 11", punched for 3-ring looseleaf binder. Items are grouped and cross-referenced under 50 major marketing, merchandising and advertising headings. Each item refers the

reader back to the publication itself by issue and page number for more extensive reading if desired.

2. **Distribution Index**—a monthly cross-index and classification of every item appearing in the Digest by product, by brand name, firm name, or individual name and by topic. Easy access is thereby provided to every item in every issue for reference purposes. Direct reference to the original publication is also possible. 4-16 pages. About 2,500 listings monthly.

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Address
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☐ Check for \$6 is attached, or
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Walter Mann & Staff
NEW YORK



Movie stars sell Monitor Tops: Part of the crowd at Kansas City.

Cash Customers, Also, Are Lured by Warner-GE Prosperity Special

A silver-and-gold train, bearing a rather celebrated bevy of peaches-and-cream maidens, caused some 10,000,000 Americans to forget about the bank difficulties recently as it pursued its leisurely way from Los Angeles to Washington and Boston, and finally to New York.

The train traveled by night, and in fourteen major cities the movie stars performed about the streets by day—ending up, in each case, at the theatre where Warner Brothers' picture, "Forty-second Street," was then starting its local premier, and at the showroom of the General Electric refrigerator distributor.

There were male movie stars, too. And the more fortunate among the 10,000,000 had a look also at the inside of the train. There they found a GE kitchen, a modernistic observation car with sunlamps for illumination and ultra-violet rays, and a copy of Malibu Beach, where the more homesick or sport-loving of the celebrities could remove their dignity, as they sped along, just as if they were not in Denver or Chicago or Pittsburgh, but back in their own Sunny Southern California.

Lured by the promise of refreshment from a Warner publicity man, SALES MANAGEMENT went forth March 9 to meet the train en route from Boston, at New Rochelle. In view of the fact that this is being written on March 8, we can only talk of the New York reception in anticipatory terms, and summarize what has already happened elsewhere. The Brothers Warner and Rex Cole, GE distributor in the metropolitan territory, are ready for 500,000 New Yorkers. So is Forty-second Street. The street and buildings are decked, river to river, with flags and bunting.

There are golden lights in the street standards. Airplanes are to go up to New Rochelle with SALES MANAGEMENT to escort the train into town, where Mayor O'Brien, Mr. Cole and H. M. Warner are to greet them. There will be a reception in the Chrysler tower, a luncheon in the Commodore (a speech by H. M. Warner), a reception in the *Daily News* building in East Forty-second street, where the parade starts at 3 p. m. Chrysler has donated the cars (the Chrysler building is in Forty-second street, too); GE automotive equipment will be in the parade, which will be saluted by aerial bombs and by a cruiser in the North River. Then there will be a GE sales meeting in the Sam Harris Theatre, the opening of "Forty-second Street" at the Strand in Forty-eighth Street, and an NBC broadcast by Mr. Cole.

The train, which is costing Warner and GE \$100,000 all told, is called the "Better Times" special. For the local houses of these two companies it has already proved such. GE would not submit definite figures yet, but Warner points out that the local celebrations in connection with it have

Caused the St. Louis theatre showing "Forty-second Street" to refund \$300 on the opening night to people for whom seats could not be found;

Forced the Stanley theatre in Baltimore to turn away 5,000;

Persuaded people in New Orleans, where only the publicity about the train went, and not the train itself, to stand in line all day;

Enabled the Memphis theatre (also minus the stimulus of the train itself) to open up to a \$2,200 house, against an average recently daily income of \$700.

ANA Urges Advertisers to Demand Publishers Audit Circulations

"A return to the chaotic days before circulations were audited would be extremely unfortunate," Stuart Peabody, of the Borden Company, president of the Association of National Advertisers, told members of the association in a recent letter.

"To prevent that," Mr. Peabody added, "we, as individual advertisers, must see that we back up our demands as individual buyers. . . . It is our responsibility to see that those honest publishers who are using only clean circulation methods do not suffer for so doing, and that the publishers who are forcing quantity circulation are not the gainers, merely because we buy only on quantity figures, with little or no attention to the valuable data contained in audit reports.

"Most publishers today face a declining circulation. Even if one reduces his rates to correspond he feels that the normal reaction of agent and advertiser is that the publication is slipping. Publishers still believe that buyers are mostly interested in quantity; that in a closely competitive field the publisher who has a few thousand more than his rival is favored. Consequently . . . they turn to experts in the business of adding circulation and take on some scheme calculated to give them 10,000 or 100,000 new subscribers, as the need might be. . . .

"Circulation of that character shows up on audited reports. It can be spotted. If we buy on the basis of circulation figures alone, and do not study audited reports, the publication that employs these methods may get our business. We have as buyers, therefore, a very definite responsibility to prove to publishers that we are not interested in the maintenance of circulation figures of a year ago or four years ago, and that we are watching audited statements to make sure that we are buying no circulation thus artificially stimulated.

"As an association, we have passed resolutions on this subject. We have provided data in our circulation studies through headquarters. We have done about everything possible as a group; but have we lived up to our resolutions as individuals?"

American Airways Moves

Headquarters of American Airways have been transferred from New York and St. Louis to Chicago. Principal offices of the Trans-American division of the system, formerly at Detroit, also have been moved there. Operating divisional headquarters will remain in St. Louis and Dallas.

Airport Sales Meetings on 6,000-Mile "Swing" Lift Air-Way Volume

Sales meetings in nine cities as widely separated as Chicago, Los Angeles and Vancouver, British Columbia, were held in seven recent days by T. Russ Hill, vice-president of Air-Way Electric Appliance Corporation, vacuum cleaners, etc., Toledo. The meetings were at the airport administration buildings of Western Air Express and United Air Lines, and, where weather permitted, in the open air at the various ports.

Stimulation of salesmen through personal contact and the introduction of new products were Mr. Hill's objectives. The meetings were planned in advance with the district sales managers.

Leaving Toledo on a Thursday night, he arrived in Denver for an open-air luncheon meeting at the airport Friday noon. After a five-hour program he enplaned for Cheyenne. Taking off after midnight, he was ready for

a meeting in Salt Lake City the next morning, and then for a five-hour flight to Los Angeles. There a luncheon meeting was held. Dinner meetings were arranged for at San Francisco and Portland on Saturday and Sunday nights. He was at Seattle Monday and in Vancouver Tuesday. Leaving Seattle Wednesday morning, Mr. Hill was able to hold a session at the Chicago Municipal Airport Thursday and to arrive home in Toledo that night.

The intensive schedule did not affect his health in the least, Mr. Hill said, and it materially helped his pocket-book. His expenses—fare, hotel, meals, incidentals—totaled \$344. The railroad fare alone, he pointed out, would have amounted to \$350, and the higher bills for meals, hotels, incidentals and his own time, would have brought the cost of this trip by surface transportation to \$810.

Sales were stimulated at each point to such an extent that Mr. Hill expects to make a similar swing soon to eastern offices, as well as to retrace his western itinerary this summer.



Airing the Air-Ways in the open air at an airport: Mr. Hill addresses a sales meeting in Los Angeles.

GF Effects Sales Decentralization through 172 "Directive" Offices

Under "directive effort" rather than "supervision," the more than 1,000 salesmen of General Foods Corporation are now working out of 172 directive headquarters instead of 26 branch offices, Clarence Francis, executive vice-president of General Foods, told the Sales Executives' Club of New York at a meeting March 2. This plan, started in the middle west last year, has been extended nationally.

"Each salesman's counselor is now right around the corner," Mr. Francis explained. "Hotel bills, and time and money spent in traveling, have been materially reduced.

"Each man usually handles all of the principal products in his restricted territory. He gets definite plans, specific instructions, and an individualized follow-up." And he has, of course, an intimate and growing knowledge of his territory.

Prefacing his remarks by pointing out that advertised brands have weathered the storm better than most others, and that, as urged in a recent resolution of the Associated Grocery Manufacturers of America, they should be protected legally from being made loss-leaders by distributors, Mr. Francis outlined the series of intensive

tests under which the corporation's present decentralized sales policy has been worked out.

"Mass production showed big gains during recent decades," he said, "but selling did not keep pace.

"At General Foods we like to think that we have made progress in cutting out sales frills and in advancing scientific methods, but we realize we have a long way to go.

"The original Postum Cereal Company had but one product to sell; then it added Grape-Nuts, Post Toasties and Post's Bran Flakes, and the sales force handled the line effectively.

"Based on the success of this experience, it was believed that through the consolidation of a number of non-competing companies mass distribution could be developed to serve the demands of mass production.

"This was begun in 1925, with the acquisition of Jell-O.

"We had been faced with a sharp turnover—the loss of trained men—because of seasonal peaks in selling. New products leveled out the peaks.

"After experimenting in restricted territory, the Post Products Sales Company was formed, and to avoid overlapping, each man was given responsibility for all products in the group, and covered a smaller territory.

"As new products entered the General Foods family, other sales companies were formed to handle the new groups along the same lines.

"Here again there was duplication.

"This resulted in a merger of mergers—but not before thorough testing had paved the way—and General Foods Sales Company was formed to unite the activities of the other three groups.

"Before we took this important step, we made an analysis of our 300,000 and more retail customers. Inventory was made of stock, type of store, its use of newspaper advertising or displays, the calibre of the people and purchasing power of the community.

"Then we had an outside agency look the situation over. They went into the field, accompanied the salesmen on the route, made copious notes, and then submitted an 'as is' report.

"From this experience an educational course was prepared for the salesmen. It was actually written by the men themselves, as it embodied the methods and actual experience of some of the best men. The sales force could see themselves in the book.

"Armed with improving knowledge of the markets, and with a distributive machine built according to improving specifications, we believe that we are preparing the salesmen for success."

Premiums and Sales Contests

BY R. E. SMALLWOOD

Stimulating a Jaded Sales Force

According to 72 premium users, one present-condition advantage of a sound premium offer is that it stimulates the salesmen—gives them a new talking point and a good reason to call on every prospect. Quite properly, chief emphasis goes to the product itself, but it is nevertheless encouraging to salesmen these days to have a new story to tell. Most of them have been turned down so often on the old one.

To a degree, I suppose the same holds true with advertising. Recently Goodyear opened a super-service station in San Francisco. If there were any news in that, it was their ability to find a good corner not already occupied by a super-service station. To divert a horde of car owners to Goodyear pumps, something more than

women drivers, is reflected in the fact that the company pumped approximately 36,000 gallons in the first two days!

To Keep the Offer Intact

In practically every phase of merchandising, perplexing questions have a habit of poking their way up. Ask experienced premium users what worries them most in connection with consumer offers and, pop, like the Yo-Yo up its string, comes the answer, "How can I be sure the premium reaches the consumer?"

Many consumer offers must run a gauntlet of jobbers, jobbers' salesmen, dealers and dealers' clerks. How to keep the offer intact? Effective advertising is one answer. The lady who sets forth to purchase a particular product will want to know what happened to the useful gift which

was to accompany it. A central clearing house, requiring the return of a specified number of coupons, or tops of cartons, is another answer.

Williamson Candy Company found the answer in broadsides mailed directly to the dealer. George H. Williamson, president, says: "This undoubtedly has a tendency to force jobbers to offer the deals to their retailers intact, rather than removing premiums and selling them separately, as has been the case frequently in the past."

Jumping Sales With Jig-Saws

One of the most successful campaigns employing the use of jig-saw puzzles as a free gift in stimulating consumer sales is that being conducted by the McKesson & Robbins organization of wholesale drug houses. One puzzle is given away free with the purchase of a 39-cent size bottle of milk of magnesia. The results of a preliminary trial sold 250,000 packages in 30 days. This record was stepped up to the half-million mark within another 30 days, and the special offer is being continued on a national scale.

These puzzles feature a drug store scene, employing the Hal Roach "Our Gang" characters. Puzzles and displays were designed and created by Einson-Freeman Company, Inc., of Long Island City, New York, reputed to be the originators of the current jig-saw craze.

GE Prepares for Man Hunt

From April 3 to June 3 the General Electric Company will sponsor a nationwide Man Hunt—a hunt for prospects in which every man or woman directly or indirectly connected with the company will be organized into one big police force.

The keynote of a successful contest is incentive, and that goes double with this GE contest. In addition to the usual strong appeal to the salesman's desire to win a prize, the Man Hunt will pack a tremendous appeal to pride—a factor which in itself has put many a contest over.

As for prizes, all salesmen and general employees will be given a 78-page book picturing and describing numerous merchandise prizes of sufficiently wide appeal to win the intense interest of all contestants. In addition, the General Electric Company will give 100 trips to the World's Fair, with all expenses paid.

All salesmen will start from scratch as Patrolmen. At the end of each week the man who has made 50 per cent of his quota will be made a sergeant. The 100 percenters will become Lieutenants, and the 150 percenters attain the rank of Captain.

A large chart representing the cell blocks of a penitentiary will be displayed in every salesroom. Each salesman will have a block of 22 prison cells to fill in with stickers representing the capture of a criminal. When a salesman is promoted from Patrolman to Sergeant, his new title and the date of his promotion is posted on the chart. Since promotions and demotions will be based on weekly sales records during the campaign, the salesman's interest is maintained throughout.

A plan somewhat similar will be carried out with general employees. Every office employee will be sworn in as Special Deputy and be given a Special Deputy badge. Employee department managers will be sworn in as Captains and each department manager will be assigned a definite quota for the campaign period.

Employees will not be asked to sell. Their task is to obtain definite demonstrations for the salesmen. For every demonstration the employee will receive 100 credits good for merchandise prizes. When a sale results, 500 credits will be given to the employee.

The GE Man Hunt lends itself particularly well to effective promotion. While national in scope, it is competitive by districts and individual sales offices. Campaign promotional literature will emanate from both national and district offices. Special emphasis will be placed on humorous and human-interest elements. For example, cartoon bulletins, of a humorous nature, will be mailed each week.

Can We Assist You?

Are you seeking sources of good, sales-building premiums, or interesting prizes for salesmen? If so, perhaps we can help you. Just drop us a line.



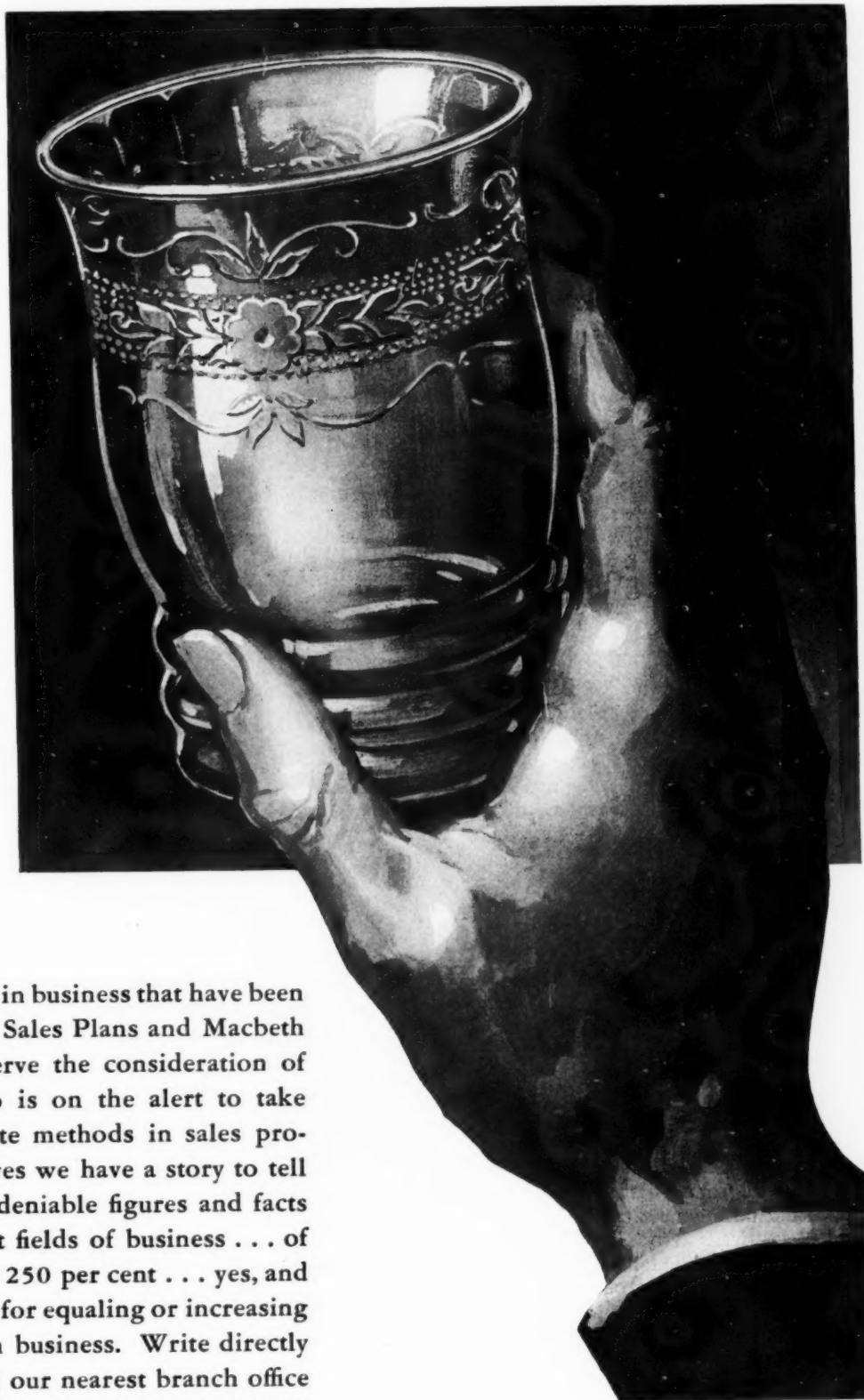
McKesson & Robbins helps dealers merchandise its premium offer through this window display.

well-written advertising was necessary. A hook was needed, so they decided to offer beverage glasses with each five-gallon sale of gasoline.

The glassware, an attractive chip-proof article, manufactured by the Macbeth-Evans Glass Company, of Charleroi, Pennsylvania, was distributed in neat cartons, four glasses to a carton, free with every five gallons of gasoline. A limit of two cartons, or eight glasses, to each customer was written into the company's newspaper advertising.

Reduced to gasoline sales, the pulling power of free glassware, especially with

HERE'S
HOW
*sales have
been
boosted
more
than 250
per cent!*



THE amazing increases in business that have been gained with Macbeth Sales Plans and Macbeth Gift Glassware well deserve the consideration of every sales manager who is on the alert to take advantage of all up-to-date methods in sales promotion. To such executives we have a story to tell . . . a story backed by undeniable figures and facts gained in widely different fields of business . . . of daily sales increases up to 250 per cent . . . yes, and more! . . . of possibilities for equaling or increasing these returns in your own business. Write directly to our home office or call our nearest branch office for particulars. / / MACBETH-EVANS GLASS COMPANY . . . Charleroi, Pennsylvania. Branch Offices: New York, Philadelphia, Baltimore, Boston, Chicago, Pittsburgh, Buffalo, San Francisco, Detroit, Cleveland, Indianapolis, St. Louis, Houston, Toronto.



A Macbeth "CHIP-PROOF" Tumbler that has made sales history from coast to coast. Only one of many Macbeth Glassware Gifts. You have the widest choice of handsome glassware—luncheon, dinner and beverage sets, crystal coffee makers and many other desirable home necessities.

MACBETH "Sales Builders"



Wings, Distributing Nationally, Out-Displays 3 of "Big 4"

Excepting only Lucky Strike, Wings, ten-cent brand of Brown & Williamson Tobacco Corporation, Louisville, which is now being distributed nationally, had more dominant window displays during January than any member of the cigarette "big four." (See chart on page 270.)

Wings had dominant showings in 36 of the 44 cities covered, as against 39 for Lucky Strike, 33 for Chesterfield, 31 for Old Gold, and five for Camel. The display illustrated was made by Star Display Advertising Company, New York. Wings is the only 10-cent brand (now 9 cents in some chains) to be represented among the tobacco leaders.

January window displays saw not only this intensified competition among the cigarette companies, but an expected big push among the makers of cold preventives. Vick's products led the group outside the tobacco field and missed out in six cities out of forty-four surveyed.

A comparatively recent entrant in the drug division is the Worcester Salt Company's toothpaste—a display which, incidentally, sold the writer of this column on buying a tube. Campana Italian Balm tied its two radio programs in with an intensified and successful drive for window displays. Other products which were not in the December list but are among the dominant displays of January include Ex-Lax, Lever Brothers, McKesson & Robbins, Nivea Creme, Parke Davis, Penetro, Pinex, Dr. Scholl, Vapex, Dr. West and Union Leader Tobacco.

Corona, with \$39 Model Sticks to Its Dealers

L C Smith & Corona Typewriters, Inc., New York, has joined Remington and Royal in an onslaught on the portable "price" market, with a new Corona to retail for \$39.50, but will continue to sell only through its established dealer organization.

The typewriter division of Remington Rand, Inc., and the Royal Typewriter Company have been making intensive efforts since last summer to sell portables, at less than \$30, through department, radio, furniture and other stores—Reimington even inviting newspaper publishers to become sales agents.

L C Smith & Corona says that its "carefully worked-out distribution plan ensures to each dealer an adequate territory, unhampered by competition."

Willis Will Supervise All Bendix Sales

Frank B. Willis, 34 years a member of the automotive industry, and recently in charge of sales of the Bragg-Kliesrath division of Bendix Products Corporation, has been made vice-president in charge of sales of Bendix Products, at South Bend.

Mr. Willis' appointment brings together under one direction the sales activities of Bendix Brake Company, Bragg-Kliesrath Corporation, Bendix-Stromberg Carburetors, Bendix-Cowdrey Brake Tester and the Aviation Wheel division.

Mrs. Roosevelt's Gown Sells Some Nash Cars

In less than three weeks after Mrs. Franklin D. Roosevelt announced the selection of cornflower blue—now Eleanor blue—as the color of her inaugural gown, and several days before the inauguration itself, Nash Motors Company, Kenosha, Wisconsin, was offering interested women prospects Eleanor blue automobiles.

The gown was purchased from Arnold-Constable Company, New York.

At Nash's behest, the du Pont chemists worked rapidly to make an identical Duco. Then Nash took newspaper space and direct mail to announce the Inaugural sedan. Swatches of the material—Crystelle velvet—were sent to Nash prospects, and women were invited in the newspaper copy to ask the local Nash dealer for them. The swatches were offered by courtesy of the Shelton looms.

GE Doubles Promotion of Air Conditioning

Newspaper advertising expenditures by the air-conditioning department of General Electric Company in 1933 will be double those of 1932, J. J. Donovan, manager of the department, New York, has just announced.

When the new department formally got under way last summer, Mr. Donovan explained, "we used large space frequently in the newspapers, in the cities where our dealers were located. These advertisements were couponed, so we had tangible evidence of the results from each."

"For the 1933 campaign the advertising will continue in the 45 cities now served by the 30 GE air-conditioning dealers. Initial advertising will start soon in newspapers of the middle west, where dealers are now being appointed."

J-M Advances Dyke

Ken R. Dyke, advertising and sales-promotion manager of Johns-Manville Sales Corporation, New York, has been named executive vice-president, in charge of sales promotion and merchandising.

Miss Cocks to Lehn & Fink

Dorothy Cocks, beauty editor of the *Ladies' Home Journal* and consultant to various makers of drug and toilet preparations, has become advertising and merchandising manager of Lehn & Fink, Inc., New York.

Media and Agencies

Emily on the Screen

The magnetic name of Emily Post will be mentioned frequently by Women's Screen Guild, New York, to draw women into Loew's theatres in 100 cities, from Boston to Kansas City and Houston, to view four-reel dramas of home—and food—and baby—and husband-keeping, and close-ups of and dissertations on advertised products which achieve these ends.

It is also being used emphatically, just now, to draw advertisers into the project.

Mrs. Post is chairman of the Advisory Board, which, says E. F. Allen, vice-president in charge of public relations of the guild, includes "such eminent social leaders as: Mrs. Lytleton Fox, Mrs. W. Halstead Vander Poel," and five more.

The actual preparation of plans, however, is in charge of a group of males—chief among them being Laurance S. Brigham, president and chairman of the board, and vice-presidents in charge of various relations, from advertising and scenarios, and theatres, to architectural design and decoration.

The program calls for 26 films a year (the guild doing its own producing), each of which would embrace divers "A," "B" and "C" advertisers. These would be shown, free, to the better women of the communities, in the mornings, before the regular shows start at these theatres. (The women cannot stay for the regular shows unless they pay.) An "A" advertiser is one whose product is shown and demonstrated in detail during the course of the film. His product, in fact, says Mr. Allen, is "on view almost constantly." The cost of the participation is highest in his case, but it is still less than that of a postage stamp for each person who views the presentation. The "B" advertiser is seen less and pays less, and the "C" is quite incidental. An "A" product, for example, would be an electric refrigerator, which requires some explanation; a "B" a can opener (less costly and complicated), and a "C" a can of beans on the pantry shelf. The camera will pause long enough on the can to give the audience a brand impression, but the size and tenderness of the beans, and their proportion of pork and vitamins, must remain untold.

In the course of the story, it is expected that the camera will follow Mrs. Post (she has agreed to appear personally in the first picture, but Mr. Allen would not show us the continuity) in the course of her duties about a well-equipped, upper-middle-class kitchen, nursery (etiquette and babies!), garden, bathroom and elsewhere. (Oh, yes! The care of the baby will be discussed before and after its arrival.)

"You will see," explains Mr. Allen, "that the plan is an adaptation of the old 'cooking school' idea on a wider, more interesting and more practical scale. There will be newspaper advertising in connection with the showings in these cities, under the Women's Screen Guild. We also hope to get considerable publicity in the home economics pages.

"The advertiser signs for only one film. (He may, of course, check up on his part of it before release.) There will be a new contract for each film—though we

expect that advertisers, when they see the effectiveness and economy of this medium, will want to follow through with us. There will be three showings of each film in each town, and we believe that the average attendance at each showing, as a result of our own newspaper advertising and publicity, the promotional work of the participating advertisers and theatres, and of local women's clubs, will be 2,500.

"The advertiser pays only for actual 'circulation' after the attendance in each town has been counted."

The first film has been tentatively scheduled for release March 27, but there may be some delay.

Sunny Jim's Minny

"I pen these lines to Minny Hanff, For whom I've searched from Maine to Banff.

But all my letters have miscarried, Perhaps, Miss Hanff, you've since been married?



Minny Ayers

If from the Dumps you'd rescue him Please drop a line to Sunny Jim." The fact that Minny had been married did not prevent her from returning to Sunny Jim. The above jingle, which, appearing recently in the "agony" columns of

Sunday newspapers, seemed strangely familiar to the more hoary advertising men, was followed the next Sunday by:

"Dear Sunny Jim, your note received, Or can my eyes have been deceived? In thirty years, is it so strange My maiden name from Hanff should change?

At Hotel Berkley, if he cares, S. Jim can find his Minny Ayers."

Minny Hanff was the creator of Sunny Jim, born Jim Dumps. Her jingles about him, some 30 years ago, had a lot to do with the sales of Force for breakfast. Now Force, which the Hecker H-O Company, Buffalo, has continued to make popular in Europe, is going to return to the American market, with Sunny Jim—and Minny—again doing the advertising. After publication of the second jingle, Minny Hanff, now Mrs. Ayers, was called in by the Hecker H-O people and by Erwin, Wasey & Company, their agency, to work out plans for his triumphal return.

Customers' Mag.

The trend toward give-away magazines by stores ought to receive considerable impetus with the appearance, April 1, of *Your Magazine*, 1,000,000 copies of which, expects R. Steele Sherratt, publisher, will be published by Pharmacal Products Company and distributed to independent drug stores throughout the country by Druggists' Supply Corporation.

The druggists are to buy the 32-page magazine, 100 copies for \$1.50—the publisher getting his revenue primarily from advertising sales, at \$2,000 a page.

Druggists' Supply, in addition, will provide window display cooperation and the installation in windows of a *Your Magazine* emblem depicting the local druggist "Diligently Safeguarding the Community."

The magazine will contain 16 departments, on beauty, health, home economics, movies, radio and other important matters.

BBDO Goes West Too

After 14 years of an eastern and middle western existence, Batten, Barton, Durstine & Osborn, Inc., seems to be becoming a national organization, as far as spread of offices is concerned. The latest—its seventh—will soon be established in Kansas City, under Charles G. Lindsay, an executive of the New York office and a former advertising manager of Petroleum Heat & Power Company.

After the merger of Barton, Durstine & Osborn with the almost 30-year-old George Batten Company, in 1928, the company had offices in New York, Chicago, Buffalo and Boston. In 1930 it entered Pittsburgh and Minneapolis.

The others in the group which have been considered the six largest agencies have been "national"—mostly "international"—for some time. N. W. Ayer's westernmost office, among its six in this country, is in San Francisco. There is also one in London. Lord & Thomas has four United States offices, including San Francisco and Los Angeles; one in Toronto and eight in Europe. Campbell-Ewald, Erwin, Wasey and J. Walter Thompson also are grounded in San Francisco and Los Angeles—E, W in Seattle, too. C-E does better than E, W in Canada—two offices to nothing—but E, W has 12 in Europe as against none for C-E. Thompson's 22 offices include eight in this country, two in Canada, and 12 elsewhere in the world, from Bombay to Buenos Aires and Barcelona, and from Johannesburg, South Africa, to Sydney, Australia.

The Thompson spread was arranged largely to handle advertising for General Motors products in the 107-or-so countries in which they are sold. Campbell-Ewald handles virtually all of GM advertising in this country.

McCann-Erickson (maybe they are in the leading six) has seven offices in this country to serve Standard Oil and other accounts; four in Canada and three in Europe.

BBDO's expansion has something to do with Socony-Vacuum Corporation and subsidiaries.

Lines to Count

Arthur Capper's *Household Magazine* reports consecutive lineage gains for the first four months of 1933 over the same issues of 1932, as follows: January, 20 per cent; February, 10; March, 3, and April, 17. May looks 12 per cent better.

Meanwhile, Elliott Odell, publication manager of *Drug Trade News*, writes of an increase of 37 per cent in '32 over '31. Today, says Elliott, DTN "have more business on the books than in all of 1932 combined." ("They do cancel sometimes, though," adds he.)

Scrip Books Go Like Hot Cakes in West

(Continued from page 253)

"Quite a few people going West want to take their cars but don't want to drive through. We are originating some business with this plan."

Montgomery Ward & Company are reported to have bought scrip books for 45 traveling representatives operating out of the Chicago office alone. This company also travels men out of St. Paul, Kansas City, Fort Worth and Oakland, California.

Some of the other large Chicago houses known to be scrip book buyers are Sears, Roebuck & Company, Swift & Company, Armour & Company, Marshall Field & Company, and the Standard Oil Company of Indiana.

"The movement of commercial travelers at this time of year is normally light," said one railroad official. "We feel that, owing to the financial upheaval, it is abnormally light this year. The big flight of traveling salesmen will start in April. After that we can tell much better the real meaning of the scrip book venture."

Showing that opinion regarding the value of the scrip books is at variance, even among officials of the same line, this may be cited.

A representative of SALES MANAGEMENT talked to the treasurer of one system. He was enthusiastic. He remarked:

"It is difficult to get some railroad men to see that every traveling salesman on the road is a freight solicitor for the railroad, originating business and working for us without pay. When a traveling salesman starts out Monday morning, paying three, four or five dollars for a ticket that excursionists could buy for a dollar for a week-end joy trip—well, I figure it must gall him a bit. Cheaper transportation for the traveling man is a wise move."

A few minutes later an assistant general passenger agent for the same line remarked:

"I figure we're just giving back 25 per cent of the money we might get. I doubt if we are developing new business."

One traveling man, interviewed, said:

"I'm taking my wife with me on my next trip. This is the first time in years I've been able to afford it."

* * *

Comments from company officials received within the last week by SALES MANAGEMENT follow. More letters will be found on pages 252, 253, 275 and 276.

By H. O. Nelson

President,
Nelson Company,
Detroit, Michigan

Your efforts to bring about a reduction of 25 per cent in passenger fares in eastern and southern territories through scrip books is a worthy one, and in my opinion much needed at this time. Traveling expenses must be made to fit the returns, and in these times when people are splitting hairs in proportioning expenses, less traveling will be done by rail and comparatively more by auto. Most people, I think, prefer to travel by rail, but at the present time the cost will be given first consideration.

Industries and industrial associations are finding it more and more necessary to make personal contacts with their customers and members and a reasonable reduction in railroad fares at this time would, in my opinion, be a real contribution to the return of prosperity.

By L. H. Regensburg

President,
Clinton Carpet Company,
Chicago, Illinois.

The writer is of the confirmed belief that the eastern railroads should follow the example established by the railroads west of Chicago in creating a mileage book.

The writer believes a 2-cent mileage book should be created, for, regardless of the cost of automobile travel, the opportunity of picking up business in in-between towns, particularly the smaller towns, yields a nice return on auto travel and creates a desire to use automobiles instead of the railroads.

In these days, when manufacturers, jobbers and others are selling one-tenth of the volume of several years ago, this business is well worth going after. By lowering the railroad rate, the stated objection would be overcome at once by the use of a mileage book in making these small town stops.

Railroads have sadly neglected the opportunities of rectifying the cost of traveling, having given to the infrequent traveler week-end rates that are ridiculous compared to the cost entailed on the part of regular traveling men that are continually on the road, who are compelled to pay from three to five times as much to cover the same territory.

Companies like ours have already established a method whereby the travel is more infrequent, asking our salesmen to travel slower, devoting more time in the town and not covering the territory as frequently as of old. We have reduced the amount of

travel to about one-half of previous years on account of the excessive cost. We do not see our customers as frequently, for it does not pay us to keep men on the road continually.

Not alone is the passenger rate excessive, but a readjustment of the freight rates must necessarily take place, for, in previous years, 95 per cent of all our shipments were made by railroad, whereas at least 35 to 40 per cent are now by truck. In addition to that, private deals are made with certain trucking companies that bring their merchandise to the store door for considerably less than the railroad rate. By not awakening to this condition, railroads are paying a heavy penalty which gradually will increase.

We are interested in the welfare of the railroads and we are anxious that some action be taken by them that will not alone safeguard their interests, but will be consistent with the times, just as we, as manufacturers and merchants, are adjusting ourselves as the times and occasion require.

By F. W. Swanson

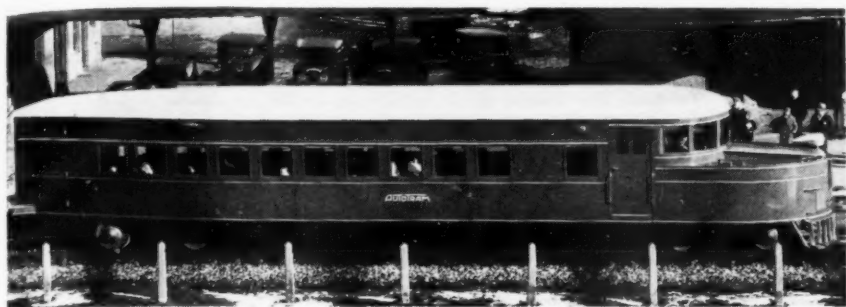
President and General Manager,
Globe Machinery & Supply Company,
Des Moines, Iowa

We had an occasion yesterday to know just exactly what this lower rate would do for the railroads. We sent a representative into Kansas and Oklahoma by train. For the past year these trips have always been made by auto. We are buying another scrip book for our northwestern representative, starting him on a trip which would undoubtedly not have been taken had it not been for the railroad rate, small as it is.

We know from personal experience that if railroad and Pullman rates were reduced in keeping with the reductions in other industries and with income, we would travel much more than we do in the interests of our own business.

We have representatives in the East traveling out of our Philadelphia factory—we would contact our Philadelphia plant from Des Moines more than we do, but under present conditions, with high rates of travel, we cannot afford to do so.

If the railroads are to win back not only travel but the support of the public, to say nothing of their sympathy, they must change their tactics, reduce their charges in keeping with the times, increase through these reductions and through other means much of their former service and once again be the factors in commerce that they have been in the past.



Aluminum Railway Car Sets Out to Revive Nation's Rail Traffic

The Clark Autotram—an all-aluminum, streamlined, gas-powered railway coach for high-speed service on main lines—is being offered to the railroads of America by the Clark Equipment Company, Battle Creek, Michigan, as a means to check their waning passenger business.

The car, explained Ezra W. Clark, in charge of sales, to this magazine, has a cruising speed of 70 miles an hour, but will make 85 miles or more between stations. Thus it is able to maintain a schedule at least 25 miles an hour faster than that of the average steam line.

Railway executives from coast to coast have been coming to Battle Creek to participate in demonstration runs over Michigan Central trackage in that vicinity—two recent "passengers" being F. E. Williamson, president of the New York Central Lines, and R. B. White, president of the Central Railroad of New Jersey.

The Autotram was produced under the direction of R. J. Burrows, head of the Battle Creek plant, at the Clark plants in that city, and in Buchanan, Jackson and Berrien Springs, Michigan. Eugene B. Clark is president of the company, which has been serving the railways for the last 25 years.

"Sales," said E. W. Clark, "will be conducted through our branches by our regular sales organization."

Westinghouse Customers to Help Increase Sales

Westinghouse is introducing an Owners' Club in the interests of its refrigerator dealers. Under the plan, each owner is asked to give the dealer the names of five prospects—being rewarded, when leads are turned into sales, by a gift of appliances.

The dealer presents the owner with a booklet outlining the plan, and five reward certificates, on which the owner reports names and addresses of five friends interested in electric re-

frigeration. As the certificates are received by the dealer, he makes out prospect-cards for his file and acknowledges the certificates with "many thanks" cards supplied by the company.

A variety of sales-promotion material is being made available to dealers in this connection—including a monthly recipe folder, a canvasser's book, demonstrators and refrigerator sales kits.

New Business Books Recently Received

The Consumer—His Nature and His Changing Habits. By Walter B. Pitkin. Published by McGraw-Hill Book Company, Inc., New York City. Price \$4.

Handbook of Business Administration. By W. J. Donald. Published by McGraw-Hill Book Company, Inc., New York City. Price \$7.

For and Against Technocracy. Edited by J. George Frederick. Published by The Business Bourse, New York City. Price \$2.50.

The Managing Director Himself. By Herbert N. Casson. Published by the Efficiency Magazine, London. Price 5/-.

Snap Out of It! By Billy B. Van. Published by the Stratford Company, Boston. Price \$1.

Some Fundamentals of Association Advertising Procedure. By F. J. Ross. Published by Fuller & Smith & Ross, Inc., New York City. Price \$1.50.

Credit Manual of Commercial Laws for 1933. Published by the National Association of Credit Men, New York City. Price \$4.

Textbook of Salesmanship. By Frederic A. Russell. Published by McGraw-Hill Book Company, Inc., New York City. Price \$3.

How to Make a Shop Pay. By Herbert N. Casson. Published by the Efficiency Magazine, London. Price 5/-.

Write Better Business Letters. By Maurice H. Wesen. Published by Thomas Y. Crowell Company, New York City. Price \$2.

Purchasing Policies and Practices of Chain Drug Companies. By Ernest F. Witte, Ph.D. Published by the University of Chicago Press. Price \$1.

A Way Forward for the Wool Industry. By Emanuel Kaplan. Published by The Business Bourse, New York. Price \$2.50.



Are
your
Letters
getting

what they go
after?

Are you getting a satisfactory number of live, interested inquiries? Are orders coming along in **profitable** volume? Are you really satisfied with present results.

What better time than now—with the new year—to make a new start? Perhaps I can help you to find the new slant that is just what you're seeking. I make no extravagant promises—paint no rosy pictures. But my experience of fifteen years in successfully merchandising by mail is at the command of a limited number of forward-looking clients. Let's talk over **your** problems. No cost, of course—and no obligation.

* * *

Readers of the "Sales Letters" department in this publication who are interested in a more comprehensive study of letter principles, will find Maxwell Droke's **Letter Laboratory** of great practical value. This is an eighteen-section portfolio of letter data, indexed for ready reference. It presents and analyzes scores of letters that brought inquiries and orders; letters that opened new accounts and revived old ones; letters that gained the co-operation of wholesalers and dealers; letters that inspired salesmen and agents; adjustment letters; good-will letters—the whole range of business correspondence. The price is \$7.50. We'll gladly send a copy to a responsible executive on ten days' approval.

MAXWELL DROKE

P. O. Box 611

Indianapolis, Indiana

The Human Side of Management

(Continued from page 246)

takes life on the surface as it comes, and I wouldn't say that his thinking is very deep, or that he follows a line of thought to its inevitable conclusion. He is happy himself and he loves to have happy people around him. To sum him up, he is a good fellow.

Now, what happens to this good fellow when he reaches a point when his word becomes law in a business? What contacts develop with his associates, with his employees, with his customers and with the people from whom he buys goods? In the selling end of the business this type is almost always a success. It is the type of the great sales manager. Salesmen like him. Employees like him. When he travels it is like a royal procession. He entertains and is entertained everywhere. Naturally, when the head man of a business enjoys this popularity it is a great thing for the business.

Now, what are some of the drawbacks to this very human person's doing business with all those around him on a very human basis? First and foremost of all, as time passes the question of time becomes the greatest problem. Customers liking this executive wish to see him when they call. He wishes to see the customers. They have good, long talks—(time). Then he invites them to dinner at his club and they go to the theatre—(time). His salesmen like him. When they call they have long talks—(time). These salesmen tell him all about their personal affairs. This is interesting. It is valuable and he knows more about his salesmen than anybody in the business, but all this takes much time.

The same thing is true in the house or in the factory. This very human individual comes in contact with all his employees, knows their names, can call them by their first names, and knows all about their families. It takes him a long time to walk through the factory because he stops and chats with many employees. It is all very human. It is fine. It is patriarchal. But it takes time.

Then when he is talking to customers, to salesmen and to employees, his mail never stops—it piles up on his desk. He gets down early to fight this mail. He stays late. He works on holidays. Sometimes he works all day Sunday. He is known as an exceedingly busy executive. His telephones are constantly ringing. He seldom turns down an interview with anyone—(time). Important reports about the business accumulate on his desk. He only glances over them

superficially. He hasn't time to study the business as a whole. He never has a moment to himself for real hard thinking. His life consists in meeting people and receiving from them more or less temporary impressions.

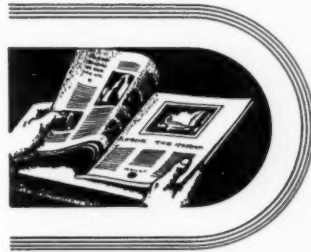
Usually a man of this type is not much of a reader. He does not study the future. He hasn't time to study the changes that are taking place in business. In many cases one of these

very human executives wakes up to find himself in a new generation with new business ideas, with new thoughts, while he, himself, belongs in a former time. Then as he grows older when this condition confronts him he becomes reminiscent. He tells of his experiences in the past. He looks back to his early youth and his first successes as the great era in business. He does not realize that the world has moved on, that there are just as many opportunities as ever, but that the change is in himself. He has stood still.

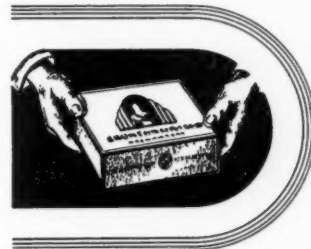
(Concluded on following page)

YOU ADVERTISING MEN

Creating the desire to buy seems to be an easy job for you



Do you and your client make it just as easy to buy the product you have to sell?



It all depends on whether you have covered the vital POINT OF SALE in your advertising planning. If you greet the eye of the consumer at the point of sale with an ING-RICH Enameled Sign, you have achieved a most important link to modern merchandising.

An ING-RICH Enameled Sign tells your consumers WHERE TO GET IT . . . it serves as a constant reminder . . . it is a permanent and imperishable kind of advertising that paves the way for greater and more effective sales.

Our booklet "Fadeless Publicity" describes the ING-RICH Enameling Process and suggests many effective ways of using ING-RICH Advertising Signs to the greatest advantage, —may we send you a copy?

ING-RICH
ENAMELED
SIGNS

INGRAM-RICHARDSON MANUFACTURING COMPANY
BEAVER FALLS : PENNA.

Does such a human, lovable man get the best results out of his organization? I regret to say that my judgment is that if he is simply lovable, simply human, if his sympathies are always with his employees, and if there is nothing more than this, he will not get the best results. Good-natured, human executives usually develop good-natured, easy-going employees. My observation has been that executives of this type—with all of their good qualities—set a very bad example to their own employees. Haven't you seen offices where there are all delightful people to meet, but where the current work is never cleaned up? Procrastination is the order of the day.

Why does not such a human executive employ a first-class assistant to relieve him of many of his duties? His very humanity prevents this. Suppose one of these good customers who knows him personally called. How would he like to be turned over to an assistant? Suppose a salesman writes a personal letter about his domestic affairs—could this letter be answered by an assistant? The great trouble with the human dynamo such as I am describing is that they unconsciously build up human relationships that cannot be delegated to others.

Then this same type of man outside of his business—in his family and with his friends—is the victim of his own love of his fellowmen. His family impose upon him. They never realize that after his strenuous work during the day he needs relaxation and rest. He, himself, does not realize this. Therefore, a man of this type in his family life develops strong social instincts. All this takes time and is also a great consumer of human energy.

This his friends (and naturally he has a world of them) consume his energy. He has many invitations to social affairs. He is a member of clubs. He is good company. He is well liked. He is wanted everywhere and with a nature such as his it is next to impossible for him to turn down invitations. This very human person, if he becomes well-to-do, is soon the shining mark of designing friends. He believes everybody is square and straight. He soon finds his tin box full of worthless securities. He is sold life insurance. He finds afterwards he has been sold the most expensive policies while other and cheaper policies would have served the purpose just as well. In a word, a man of this type is usually a poor trader for himself and usually gets the worst of the deals he makes. Impetuous friends and relatives borrow from him. His tin box becomes a

mausoleum for worthless promises to pay.

It is very difficult for this type of character to say "no." He cannot refuse to help the suffering. His sympathies go out to the whole world. Of course, the man I am describing at his best is a wonderful character; but a study of this type indicates that *what he needs most is a guardian*, someone to look after him and to protect him from his family, his friends, business associates and employees.

The saddest period in the history of this type is when he approaches middle age and then finds that the strenuous life he has led has impaired his health. Some important function of his body has broken down. He does not feel as well as he did. He knows he has lost a large part of his pep and energy. However, he thinks that this is only temporary and he will come back. He conceals the fact that his strength is waning. At a time like this, unless someone takes him in hand and looks after him physically, he will soon be down and out. Some day there will be a collapse. Usually the report is sudden death from heart failure, or it may be just a "stroke."

The above picture you will say is exaggerated. This I must admit. I am exaggerating the picture of the man who is "too human" in business because in my next article I will also exaggerate the picture of the man who is too "hard-boiled" in business. You will not get the full meaning and purport of this article until you read the next article. Then, in my third and last article on this interesting subject, I propose, after having described human management and hard-boiled management, to close with an article as to just what I think is the ideal form of management in business. Probably you can guess the answer,

but I am sure a good many men who read these articles will have no difficulty in classifying themselves, either as human or hard-boiled. They will also be able, with the picture I have drawn, to classify some of their business friends and acquaintances. The types stand out very clearly. They are almost unmistakable. It is also a strange thing that looking back through the years we can see where each type in the course of life works out its inevitable fate. It is like a Greek tragedy.

This article possibly deals too much in generalities, probably you would like to have specific cases. I have decided in my third article I will give actual cases I have known, showing how human management and hard-boiled management work out in business. In that article I will describe how these two separate and contrasting types affect the welfare and efficiency of their organizations and also how these two types affect themselves. The very human executive cannot escape himself. The hard-boiled executive cannot escape himself. Each one derives the success that comes from his peculiar temperament, and each one in his own life pays the penalties of his character.

Let me repeat, according to my theory there can be no fundamental change in our characters; but I do believe that by study and observation and will power our characteristics can be modified. We can avoid many weaknesses by being aware of them and being immediately on guard and on the defensive when we are confronted with a particular individual weakness that we clearly recognize.

(Mr. Norvell's second article on "The Human Side of Management" will appear in an early issue.—THE EDITORS.)

Packaging Vanta Baby Garments

(Continued from page 254)

tising on the face of the carton down to a minimum, and allowing a maximum of visibility of the product through the Cellophane window. Instructions and advertising blurb have been placed on the inside flaps of the box. Mr. Earnshaw calls it his self-selling package. It offers visible display, keeps the garments smooth and fresh, can be neatly stacked on store shelves, wraps neatly and quickly—and costs only a fraction of a cent more to produce than the paper bags. Mr. Ullman achieved economy and incidentally greater effectiveness in his design by reducing the lithographed colors used to one, saving costs in press runs and ink.

Was it a success? Well, Mr. Earnshaw *thought* it was the right idea, so he placed an initial order for 72,000 of them. Then he sounded out a few infants' wear department buyers in the Middle West for their reaction—and wired to Robert Gair in New York to increase his order of two weeks previous to 250,000. The salesman started to circulate with the new cartons, and six weeks after the order for 72,000 had been placed, it had jumped to 800,000! Meantime, department store buyers all over the country are urging Vanta to maintain its stand against price cutting. The chorus of Vanta's song now runs: "There is no depression in mother love!"

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These most valuable booklets of the month will be sent free to executive readers who make a separate request for each one on their business letterheads. Booklets will be mailed by the companies which publish them.

Address SALES MANAGEMENT, Inc., Reader's Service Bureau, 420 Lexington Avenue, New York.

Markets

Miami, the Year 'Round Outdoor Market—is an up-to-date presentation of the Miami market and an analysis of outdoor advertising, as well as other media, effective in reaching that market. Prepared by the E. B. Elliott Company, O. A. A. member of Miami, it is made with special emphasis on the advantages of outdoor advertising in that area. Of particular importance to the sales and advertising executive, however, is its analysis of the market represented by the year 'round resident population of the market, as contrasted with the commonly accepted view of the territory with its winter tourist inflation. During the four winter months some 200,000 visitors pour into the community, spending an estimated \$35,000,000 to \$50,000,000. During the balance of the year the 110,000 resident population of Miami proper, and the 163,000 people in the trading area, continue to live and spend, with a background of relatively high home ownership, spendable money income, automobile ownership, and an industrial community that includes cold storage plants, furniture, novelties, awnings, pottery, automobile batteries, beverages, canned goods and boats. The northern terminus of the South American air line represents an investment of \$5,000,000 and a payroll approaching \$1,000,000 annually. In other words, granting the importance of reaching the winter-time visitors to this market, Miami also seeks recognition among advertisers of its year 'round stability, its value as a test market for the South during the summer months. Information is given as to retail distribution, and sales (based, however, on 1930 figures); detailed studies of poster locations, traffic movement, location of retail stores, churches, parks, race tracks, golf courses, shopping centers. Also costs of poster campaigns, and of advertising in newspapers, radio and magazines in the area. Seventy pages, loose-leaf, with a promise of additional material as issued. Decidedly worth while for advertisers operating in or contemplating the possibilities of this market.

Route List of Drug Outlets, Route List of Food Outlets, in Columbus, Ohio, prepared by the Columbus Citizen for the use of salesmen, corrected so far as possible to last month, and available without charge. The drug list includes cigar dealers (wholesale); druggists, retail outlets, and chain and wholesale buyers; merchandise brokers; transportation facilities and market statistics. The grocery list gives cigar dealers (wholesale); confectioners (wholesale); grocers, retail outlets, and chain and wholesale buyers; merchandise brokers, and wagon distributors.

Speaking of route lists, this department of SALES MANAGEMENT will be glad to co-

operate with manufacturers who would like to have up-to-date route lists for the use of their sales organizations. Send us a list of the cities from which lists are desired, specifying retail lines, and we will get them, so far as they are available.

Radio

The Flood Hits the Valleys—supplementing the Columbia Broadcasting System's 4th Price-Waterhouse Audit, recently reviewed in this column, is a six-months' study presenting a nation-wide picture of what has been happening in the sale of radios during the last three years. Taking the Government census of radios in 1930 as a standard, and adding the research of the McGraw-Hill Publishing Company to determine from dealers what portion of their sales were replacements of old sets, plus the work of the Chief of the Electrical Equipment Division of the Department of Commerce, C. B. S. went a step further. Five leading manufacturers of radio sets, having national distribution and accounting for more than 60 per cent of all the radio sets sold since the 1930 census, agreed to give confidential reports of their total sales, by states, for 1930, 1931 and 1932. The resulting study shows, by tables and graphs, by states and districts, the per cent of increase in radio homes since 1930. As might be expected, the sections where radio ownership was highest when the census was taken now show the least increase—although still the largest numerical number of sets in operation. The point is, however, that the amount of increase is now a matter of careful estimate and record. The Southeast, with 105 per cent increase, and the Southwest, with 60 per cent increase, lead the nation. Offered to radio advertisers by C. B. S. as a "graphic snapshot of a giant in action." Suggested as valuable to manufacturers in other fields as a study in replacement sales and accumulative sales volume.

Managing Salesmen

Methods of Checking Employes' Traveling Expenses—a report by the Policyholders' Service Bureau of the Metropolitan Life Insurance Company, based on investigations among industrial concerns by the Bureau, and including summaries from similar investigations by SALES MANAGEMENT, *Printers Ink Monthly*, and the general practices used by the Federal Government, the State of Pennsylvania, and plans adopted by 24 insurance companies. Available through SALES MANAGEMENT, or direct from the Metropolitan Life Insurance Company, New York City.

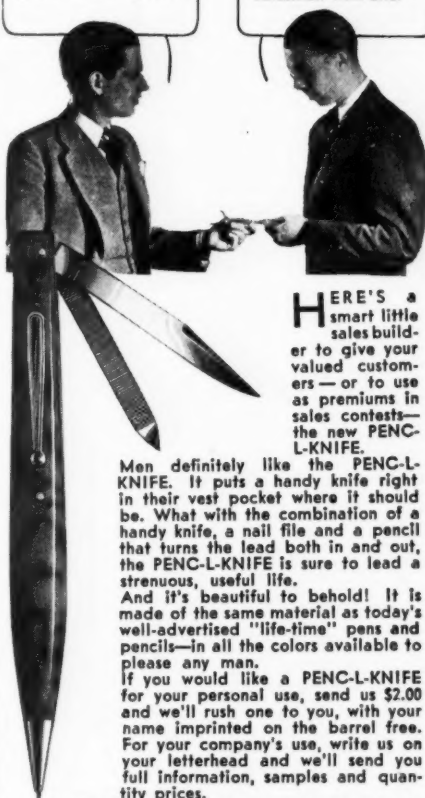
Paper

Nature Tells a Story—is a most attractive and generously equipped portfolio just brought out by the Howard Paper Company, illustrating paper stock (Howard Bond), color and design in quality letterheads as used by representative companies. The selection is built around the sales-building value of truly impressive stationery, and as such is of more than usual interest to sales executives and promotion departments.

Here it is—a portfolio similarly designed for sales executives, by the International Paper Company, illustrating their Adirondack Bond letterheads, direct-mail pieces, sales and advertising department forms. Better get both these portfolios, for reference and your files.

"Here's your premium for making your sales quota"

"Thanks—I've wanted a Penc-L-Knife ever since I saw Chase Co's salesman with one."



HERE'S a smart little sales builder to give your valued customers—or to use as premiums in sales contests—the new PENC-L-KNIFE.

Men definitely like the PENC-L-KNIFE. It puts a handy knife right in their vest pocket where it should be. What with the combination of a handy knife, a nail file and a pencil that turns the lead both in and out, the PENC-L-KNIFE is sure to lead a strenuous, useful life. And it's beautiful to behold! It is made of the same material as today's well-advertised "life-time" pens and pencils—in all the colors available to please any man. If you would like a PENC-L-KNIFE for your personal use, send us \$2.00 and we'll rush one to you, with your name imprinted on the barrel free. For your company's use, write us on your letterhead and we'll send you full information, samples and quantity prices.

CATTARAUGUS CUTLERY COMPANY
Little Valley, N. Y.—U. S. A.

Custom Tailored Business Clothes



—are most economical. They fit correctly, keep their shape longer, feel comfortable and give years of satisfactory service.

Our representative will call at your office if you so desire.

Prices lowest in years.

Shotland & Shotland

Men's Tailors

15 W. 45th St. New York, N. Y.

How Imperial Induces Key Dealers to Feature Its Candy Line

(Continued from page 251)

agreement, the manufacturer agrees to maintain a thorough and aggressive sales service that will help move the dealer's merchandise. This service includes a scheduled advertising program in which each dealer gets full benefit. It provides window displays for all occasions; display cards of every type, including flavor cards, special overheads, price cards, etc.; regular trimming of case and table displays. The following special occasions for special effort are mentioned specifically in the agreement: Valentine Day, St. Patrick's, Easter, Mother's Day, Hallowe'en and Christmas. The definite and specific details of the agreement are its chief appeal.

The manufacturer further agrees to conduct a regular schedule of sales featuring a series of bulk and package goods which will enable the dealer to include "leaders," offered at the most desirable competitive figures.

The sales service also provides for circularizing consumers for special sales and occasions.

On the other hand, the dealer agrees to put in a representative and adequate stock of Société candy, and to carry in stock only such other candies as do not limit or handicap the sale of the Société products.

This exclusive arrangement, continued for a year, makes it possible and profitable for the manufacturer to extend himself in his efforts to strong, aggressive and intelligent retail outlets. He can assume the job of creating expert merchandisers among his customers, knowing that the ammunition he places in the hands of the retailer will not be a boomerang when used with competitive merchandise.

This manufacturer goes as far as he possibly can in helping the dealer become a better merchant, including even a clause in the agreement in which the manufacturer promises to supply the dealer from time to time with trade publications, government bulletins and other material dealing with general subjects of display, merchandising and the successful conduct of retail business. And this without cost to the dealer!

Perhaps, retailing as a whole would assume more intelligent procedure if more manufacturers would provide their customers with latest and best developments as reported by the trade press and other business literature.

Imperial Candy has found retail-

ers not only willing to accept the right kind of merchandising assistance, but willing to cooperate with aggressive selling effort. In three months exactly 78 retailers in the home territory signed up for exclusive sale of Société candy, and there is no question about the continuance of the plan, for practically every retailer involved has at least doubled his volume on the line, and many have done much better than that, reports Mr. Roberts.

The company recently made a survey of dealers to determine exact selling results of the plan. From the compiled tabulations they selected a number of dealers at random. For instance, the Cagles Pharmacy of Seattle showed a volume of Société Candy in 1931 of \$120.60, whereas in 1932 this dealer increased this to \$181.46. Here are a number of other similar figures:

Dealer	1931 volume of Société candy	1932 volume of Société candy
Fairway Pharmacy . . .	\$ 57.73	\$134.22
Crockett Street Pharmacy	64.33	164.14
Royal Drug	105.22	206.61
Meridian Pharmacy . .	40.42	195.42
West Woodland Pharmacy	69.15	222.55
Mt. Baker Pharmacy	182.20	493.41

A recap of all these selected Imperial Candy Company dealer volumes showed that in 1931 the total volume of Société sales was \$5,057, while the 1932 gross was \$9,786.91.

The reason for this increased volume is obvious. A candy line properly displayed, and consistently brought to the attention of the buying public through advertising, will produce profitable volume. Furthermore, concentration on one line simplifies display, advertising, bookkeeping, inventory, and thus keeps selling cost to a minimum. Salesmen are not tempted to oversell or overstock a dealer as a means to compel him to push a line. Merchandise does not go stale on the shelf, and become an eyesore to both the retailer and his customers.

On the other hand, the manufacturer is assured a regular volume from a selected group of dealers who will push the Société line because it is to their advantage to do so. For example, on the monthly specials, each dealer agrees to buy a minimum order previously established at the time the contract is signed. The manufacturer being thus able to gauge his production

in accordance with demand, he can produce more economically and share his savings with dealers and consumers through special prices.

This plan of merchandising was originally launched as an experiment among dealers in the immediate territory, centering largely in the city of Seattle. So successful has it proved itself that expansion of the selected dealer idea will soon cover the entire Pacific Northwest.

"The effect of this merchandising program on our salesmen has been particularly gratifying," says Mr. Roberts. "Our active participation in the retail display and sale of our products gives our men added morale and confidence. It gives them something more to talk about than the product and price. The splendid sales records achieved by our contract dealers on particular items is a potent talking point in selling these same items to other dealers who are in unprotected territory, and not under contract."

What the plan really does is to stimulate retail sales through intelligent promotion, thus increasing turnover and profit, eliminating dead stock, simplifying accounting and inventory, offering the prestige of an advertised line, and providing definite specific advertising and display cooperation.

Not much more can be expected of a dealer-help program. The "Mutual Merchandising Plan" of the Imperial Candy Company differs from most in that rarely does a manufacturer of a line such as candy adopt a policy of exclusiveness and make it worth while for the dealer to play the game with just one such line.

Pebeco Cleans Teeth During the Holiday

No matter when you get your money back from your bank, Lehn & Fink, Inc., has insured that your teeth may go right on being cleaned. In newspaper advertisements March 8, Lehn & Fink announced that "we will take your check dated three months ahead for a three-months' supply of Pebeco toothpaste for yourself and your family."

Pebeco's regular price is 50 cents a tube. This special offer allows three tubes for \$1. "Date your check July 1, 1933. It will not be cashed by us until that date." The offer ends April 1.

Dealers were notified in the consumer copy that the checks would be credited to their accounts, or "for Lehn & Fink merchandise at the regular wholesale prices."

Are the Railroads Riding Into a Hurricane of Public Disfavor?

(Continued from page 253)

Roads would lose nothing by this reduction, and, in addition, would be instrumental in bringing about more business for them in the way of increased freight from increased orders.

By W. M. Thompson

General Sales Manager,
J. B. Wise, Inc.,
Watertown, New York

We want to congratulate you on your efforts to secure from the railroads in eastern territory the same mileage rate for scrip books that is now in effect in the West.

As far as our own men are concerned, they mostly use their own cars or travel in buses, the latter of which we have found most convenient and reasonable in their fares.

We would not consider suggesting that our men use the railroads, with their present exorbitant rates—one of the few remaining relics of war-time prices—until such times as they can see the light and bring their rates down to the basis of today's price trend.

Only the blind could not see the growing popularity of the buses and other modes of transportation—and to get these people back to using the trains will require some intensive sales methods on the part of the railroad in addition to greatly reduced rates.

By E. W. Ristau

Sales Manager,
Skilsaw, Inc.,
Chicago

Although we are but a small company, it would be of especial benefit to us to have a lowered railroad fare in the eastern part of the United States.

The present economic condition has forced a good many manufacturers, including ourselves, into working the most lucrative territories. The eastern part of the country has been found to be the most satisfactory sales-producing area on our line of products, and we are consequently devoting approximately 75 per cent of our sales efforts to that area.

It would assist us materially to cover our eastern territory more economically were we to have a lowered rail mileage rate. With this lowered rate we could very well consider sending our men out into the territory more frequently. It is necessary for us here at the home office to contact the major cities in the

eastern territory about four times a year. The expense involved has become quite large and our present plans call for but two trips into the territory this year, in the event conditions remain as they now are.

By Samuel J. Hanick

Manager,
Display Center of Philadelphia,
Philadelphia, Pennsylvania.

It pleases me to know that the Transcontinental and Western Associations will issue scrip books to the public February 1, and I hope that the eastern roads in the Trunk Line and New England Passenger Associations will become wise to the fact that they must follow the same course.

Our business employs an average of twenty-five men who travel continuously as far south as Florida, as far north as Maine, and as far west as Chicago. Think what it would mean to the railroads if these men were to leave their cars at home and travel by train. They could, without doubt, accomplish considerably more in the way of calls and sales and they could enjoy being with their families more often than they are at the present because of the use of automobiles for transportation.

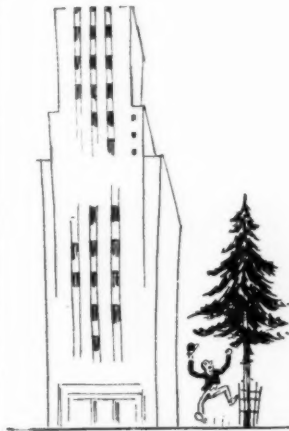
If scrip books were issued by the eastern roads, we would without a doubt extend our territory and open up new territories which we do not work at the present time.

With all due respect to the railroad officials, in my estimation, they have been fast asleep. . . . I look back at the time, years ago, when mileage books were sold at 2 cents a mile. How much more traveling by railroad we did than now. I personally used up an average of two 1,000-mile books a month through the year, and at least one 1,000-mile book was used by my four assistants. I recall, also, that on frequent occasions I took my family to New York on Saturday or Sunday, using up a large part of a 1,000-mile book over one week-end.

By E. A. Keeling

General Sales Manager,
Art Metal Construction Company,
Jamestown, New York

We have read with interest the articles . . . regarding the issuing of scrip books by the western railroads. This subject is of particular interest



New Yorker Blues

(Not a magazine or hotel ad.)

. . . I like N. Y. I look up at the tall bldgs. to catch some bozo falling out a window—and my mind goes back to the Mts. of N. H. I fight for 2 ft. of standing room on the 6th Ave. "L" and think of the great open spaces in Me. July—90 in the shade on 37th St.—kiddies cooling off under a benevolent Tammany fire hose—and the lakes of Vt. fairly yell "come on." My car is caught in westbound 43rd St. traffic—and the 2-way highways of Mass. and Conn. open up ahead of me.

. . . I like N. Y. because it makes me yearn to go back home in N. E. where I want to help some native industry get acquainted with more customers. The spirit prompts me to make a break now while I can still say I have a good job. This job of mine is managing an adv. dept. that I organized some yrs. ago. My experience and my yen for doing old things new ways ought to make me a good side kick for some aggressive sales mgr. who appreciates originality.

. . . The job I want is one that will win my enthusiasm. If the product is A-1 in quality its nature needn't matter—because I'm an adv. man. As such my job is to work on the minds of men and women more than on products. Let me interview myself:

. . . "Will you stay put?" Been with X Co. over 13 years—a Co. whose name is a household word in all types of business. "How young are you?" If I had been 7 yrs. younger in 1917 I wouldn't have gone over with the 1st troops of the A. E. F. "Any family?" Kiddies will be old enough by 1945 to make me and their mother grandparents. "What salary do you want?" Opportunity to advance is more important. "How varied is your adv. experience?" My 13 years have put me in touch with every phase of creative and productive work in advertising a wide range of products. Have supervised small and large appropriations in magazines, newspapers and direct mail and an average of 25 convention exhibits a year.

. . . If you'd like to know me better you or your agents can reach me by writing to

Address Box 366, SALES MANAGEMENT
420 Lexington Avenue, New York City

to us for the reason that we have just recently consolidated a number of our branch territories insofar as the traveling among our agencies is concerned, and with these longer distances to be covered by our individual travelers, we have found it to our advantage to purchase scrip books issued by the western roads. Our men in the western territories are now traveling by train rather than by automobile.

If the eastern roads would take similar action and issue scrip that would reduce the cost of travel by railroads to 2.7 cents per mile, it would have the effect of discouraging the use of automobiles by a number of our men, particularly in view of the fact that under our consolidation program the individual traveler in the East as well as in the West must make longer trips than formerly, and would really prefer to travel by train if the cost could be gotten down to compare favorably with other means of transportation.

By C. W. Farrar

*President,
Excelso Products Corporation,
Buffalo, New York*

Mr. McCollum, secretary of the Central Supply Association, Chicago, in his bulletin of February 17, advises us of the splendid work you are doing in advocating scrip books.

There is no question about it—hundreds of firms will advise their salesmen to use the railroad. Traveling by train brings the salesman to his territory more rested and in far better condition to solicit business than does driving over miles of territory, when he becomes tired and usually arrives in disheveled attire.

Most of our representatives are located east of Buffalo. Certainly, it would seem to us that the eastern railroads should make every arrangement to give scrip books to eastern salesmen. There are a great many more men traveling in the East than there are in the West. Therefore, it would seem to us that to put in lower rates on the eastern roads would benefit the eastern trunk lines far more than the arrangement now in effect in the West will benefit the roads operating there.

By W. E. McCollum

*Secretary,
Central Supply Association,
Chicago*

I wish to commend your organization upon its untiring efforts to secure reduced railroad fares through the use of scrip books and hope that you will

be as successful in the eastern territory as you have been in the western territory.

Like all organizations, we are curtailing expenditures wherever possible. Yet, when we learned that scrip books were available in the western territory, we immediately purchased two books. Three group meetings have already been held in Iowa, Nebraska and Kansas City, and other meetings are being planned for the southwestern states.

While some of our members use automobiles to attend group meetings, many of them use the trains and pay the regular fare. The point I wish to stress is that the purchase of two books by us has increased railroad travel at the regular fare, at least to a small extent.

If scrip books were available on the eastern and southern roads we would purchase perhaps a half-dozen more books for that territory before the end of the year, scheduling meetings which would result in many of our members using the railroads to attend such meetings.

By S. C. Dunning

*Sales Manager,
The Muralo Company, Inc.,
Staten Island, New York.*

Having watched with interest the effect to obtain the railroad scrip books,

making railroad mileage possible at 2.7 cents per mile, and finally the adoption for the interior territories west of the Mississippi, I am further interested in seeing the adoption by the eastern territory.

With our representatives traveling the country extensively, some using automobiles and others trains—but all holding their traveling, at this time, to the minimum—a scrip book for the eastern territory would help materially in keeping our traveling expenses low and would, at the same time, permit us to do more traveling—particularly by rail—than we are inclined to do at times such as these.

I wish to add my interest to that of others, hoping that the railroads of the east will also adopt a scrip book at 2.7 cents per mile.

By K. D. Jaquith

*San-Equip., Inc.,
Syracuse, New York*

Our company wishes to go on record as favoring the issue of mileage scrip books by the eastern rail lines on the same basis as now effective in the western trunk line territory.

While this would not mean any immediate change in our sales organization, it is certain that some of the traveling now done by car would be diverted to rail lines.

Personal Service and Supplies

Classified Rates: 50c a line of seven words; minimum \$3.00. No display.
Cash Basis Only. Remittance Must Accompany Order

SALES PROMOTION

\$50 to \$50,000 DAILY SALES SECURED FROM our clients. This distributor took on a new specialty, retailing at \$60. His first purchase \$12. We submitted a sales program capable of national expansion. Within four years his sales were nationwide, running to \$100,000 monthly. 35 years salesmanship-in-print experience back of our campaigns. Submit sales problems for free diagnosis. 10 years Sales Promotion Manager. Larkin Co., James C. Johnson, 119 Woodbridge Ave., Buffalo, N. Y.

SALES REPRESENTATIVES AVAILABLE

THIS IS THE FIRST TIME THIS OPPORTUNITY HAS BEEN OFFERED

If you are desirous of increasing your sales in Chicago or Kansas City we can place manufacturers in touch with reliable sales representatives capable of obtaining maximum results. Our plan

and service will eliminate all risk and cost on your part aside from regular sales commission. The plan could also include billing, invoicing, receiving, shipping and collecting service. Without obligation or cost to you we will gladly counsel with you and furnish full details. Address Box 367, SALES MANAGEMENT, 420 Lexington Avenue, New York, N. Y.

EXECUTIVES WANTED

IF YOU ARE OPEN TO OVERTURES FOR a new connection and qualified for a salary between \$2,500 and \$25,000, your response to this announcement is invited. The undersigned provides a thoroughly organized service of recognized standing and reputation through which preliminaries are negotiated confidentially for positions of the caliber indicated. The procedure is individualized to each client's personal requirements, your identity covered and present position protected. Established twenty-three years. Send only name and address for details. R. W. Bixby, Inc., 118 Delward Building, Buffalo, N. Y.

"GIBBONS knows CANADA"

SALES

management

In Two Sections: Section II

Plans for Speeding Economic Recovery in America

*A symposium enumerating some of the
principal recommendations made by leaders
representing a wide variety of interests, in-
cluding a program drafted by the editors of
Sales Management*



MARCH 15, 1933

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In Two Sections: Section II

Plans for Speeding Economic Recovery in America

*A symposium enumerating some of the
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representing a wide variety of interests, in-
cluding a program drafted by the editors of
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MARCH 15, 1933

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SALES MANAGEMENT, INC.,
420 Lexington Avenue,
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Plans for Speeding Economic Recovery in America

A symposium enumerating some of the principal recommendations made by leaders representing a wide variety of interests, including a program drafted by the editors of *Sales Management*.

NO one who has witnessed the events of recent weeks can deny the arrival of a full-fledged crisis. No longer can we deal exclusively with preventives founded on competent vision and sincere integrity; we are now forced to meet realities so involved with monetary panic that as a nation we must perforce be prepared to accept a dictatorship based on emergency measures. Our economic body, long suffering from the ravages of fever has finally reached a crisis where curative measures must be prompt, even if only of temporary benefit. Under such circumstances, it is futile in an article of this sort to discuss emergency measures. Nevertheless, the people of the United States and the business of the United States must soon face the period of convalescence during which health and prosperity of enduring proportions will be restored to our economic body, or else in a maze of mental and material conflict American civilization heads down in a period of deterioration.

The purpose of this résumé is, therefore, one of seeking permanent improvement rather than immediate relief. It seeks to be suggestive rather than a dogmatic discussion of the problems which have now come to be of greatest interest and greatest importance to the entire population of the United States.

Concluding with a fairly specific program, we will start with a review of the ideas which have been submitted by a number of men whose positions automatically command attention for their ideas, whether we choose to agree or disagree in any individual case. The ideas submitted by these men will be enumerated without any attempt to discuss the pro and con merits of the individual suggestions and, in fact, without any extensive elaboration on their individual ideas. For the most part these enumerations have been made possible by programs which have been printed in the public press or submitted before the Committee on Finance of the United States Senate, which has been currently conducting an investigation and study of the present economic problems of the United States "with a view to securing constructive suggestions with respect to the solution of such problems." The time available in which to put this article to press unfortunately does not permit of making this review as complete and as detailed as it might otherwise be, but in reasonable degree it will present the bulk of the recommendations which are being currently made and will do this in a concise manner.

Winthrop W. Aldrich

First, we will enumerate the main points made by Winthrop W. Aldrich, Chairman of the Governing Board and President of the Chase National Bank of New York. As

the head of America's largest banking institution his thoughts warrant earnest consideration and particularly so in view of the reputation for intellectual honesty which Mr. Aldrich has earned for himself on a world-wide basis, as contrasted with the dubious standing of many other bankers—for instance of the recently retired Chairman of the National City Bank of New York. Mr. Aldrich, when appearing before the Senate Committee, stated he did not have any panacea to present. He attributed the depression primarily to the following causes: (1) The shift of the United States on an international basis from the status of a debtor nation to that of a creditor nation; (2) The inter-governmental debts remaining as an aftermath of the world war and the budgetary problems arising in many countries on account of these debts; (3) The high protective tariff policy inaugurated in 1922 by the United States; (4) The advent of cheap money and the commercial bank credit expansion on a gigantic and unprecedented scale which went on from the middle of 1922 to early 1928; (5) Ineffectual efforts for artificial price maintenance; (6) The cheap money policy which obtained in the United States and England as the result of cooperation between the Bank of England and Federal Reserve Bank of New York; (7) The substitution of the so-called gold exchange standard which began in 1926 and involved the substitution of balances in foreign banks for actual gold in central banks; (8) The liquidation of the gold exchange standard which followed and began in 1931; (9) The breakdown of international cooperation of central banks; (10) The international scare which started in 1931 and spread rapidly in 1932 regarding the standard of value itself, and (11) the broken equilibrium between production and distribution, particularly as regards international commerce.

The remedies proposed by Mr. Aldrich based on the major causes just outlined are as follows: (1) Prompt settlement of interallied debts; (2) Prompt reciprocal reduction of tariffs and the moderation of other trade barriers; (3) Continuation of a policy of emergency credit relief, making use of the Reconstruction Finance Corporation, but taking due cognizance of the fact that not all of the existing fabric of capital debt can be maintained in full; (4) Extension of emergency credit relief to the farm mortgage situation and also to certain city mortgage situations; (5) Differential treatment of debtors to the end that commercial morality may be preserved so that we will not establish a precedent of allowing men who are perfectly able to pay their debts to escape them in part merely because other men are unable to pay their debts in full; (6) Extension of emergency credit to prevent further forced liquidation of good assets at depression levels; (7) Undeviating adherence to sound money and sound public

finance as vitally important to alleviate the fears which have arisen with respect to our currency and our Government credit; (8) No impairment of the quality of the currency; (9) Balancing of the budget in the sense that all ordinary expenses are covered by current taxes and that borrowings for special and non-recurrent purposes should be covered by additional taxes to the extent of current interest.

Mr. Aldrich evidently feels that the rebuilding of international trade constitutes a most important contribution to improving economic conditions within our own country. Among the things to which Mr. Aldrich is quite definitely opposed are the following: (1) Inflation as represented by the issue of irredeemable paper money; (2) The debasement of the standard of the currency either by reducing the gold content or by introducing bimetallism for silver; (3) Quantitative increases either of money or of credit which impair the quality of the currency itself; (4) Overexpansion of bank credit; (5) Destruction of confidence in the American dollar; (6) Extravagant borrowing by government, and (7) Reflation by forced expansion of bank credit.

Since he appeared before the Senate Committee, Mr. Aldrich has also very clearly indicated his belief in the divorcement of security affiliates from commercial banks.

Alexander Legge

We shall next review the ideas of a man representing a substantially different viewpoint, namely, those of Alexander Legge, president of the International Harvester Co. and former president of the Farm Board. Mr. Legge contends: (1) What is wrong with us today is not so much a lack of money as a lack of confidence; (2) The fact that the Government may be running behind a little in times like this is a matter that should not cause alarm, if it does not last too long; (3) Too much of our Federal income is depending on one source, namely, the income tax; (4) The sales tax, also called the turnover tax, would prove a constructive change; (5) Next to balancing the budget, and perhaps at the moment even more urgent, is the necessity of giving us a better banking system, or a banking system. What has happened is chaos and not orderly liquidation; (6) Branch banking should be by natural trade areas; (7) All banks should be under Federal supervision; (8) Guaranteeing three-fourths of bank deposits for the benefit of depositors is proper; (9) International debts are nowhere near as important as putting our own house in order at home; (10) Any revision of intergovernmental debts in the immediate future is apt to be far too low; (11) A five-year moratorium pending the time when things have quieted down would prove helpful; (12) Tariffs cut little figure in the present debacle that we are going through; (13) What bothers us worse than any tariff in the export field is fluctuating currency; (14) If we restored confidence we would discover we had plenty of money and would not need to inflate; (15) Regulation of farm production is a prerequisite to a solid foundation, and the farm organizations today are themselves seriously considering it although it appears necessary to restrict production by the leasing, buying and putting out of commission, the submarginal areas with funds to be provided by an excise or normal tax on the commodity itself.

Francis P. Garvan

Francis P. Garvan, President of the Chemical Foundation, when appearing before the Senate Committee, said in part:

"I am convinced that one of the great causes of the panic in its inception, and the main cause of the long continuance and depth of our depression, is the fact that

our credit system, the life-blood of the country, is in the hands of a few private individuals without restraint or regulation, by the Government, and the further fact that these private individuals have now become controlled in their policies by foreign partners and foreign influences."

Mr. Garvan in arguing for the integrity of war debts goes on to say:

"I do not think your destruction of morality will stop at your foreign debts. It think it will go right over into your own domestic debt structure, because if the Englishman and the Frenchman does not have to pay his debts, how can you expect a poor farmer to pay his?"

Mr. Garvan contends that Government should control the banking system, whether by a national bank or 100 per cent supervision and protection, he does not say.

Donald R. Richberg

Donald R. Richberg, of Chicago, submitted a statement to the Senate Committee which read in part as follows:

"The permanent remedy for this depression is to enact the laws necessary to reorganize our political economic system, so that our industries must be operated for the primary purpose of employing as many workers as possible at the highest possible wages, while paying the lowest possible compensation for the use of money and property that will induce all necessary investment.

"We have been viewing industry upside down throughout the era of capitalism. The only object of primitive industry was to furnish a livelihood to the worker. That should be the primary object and obligation of all industries today. If the welfare of those employed were the supreme object of the management of every enterprise, the highest possible wages would be paid and the purchasing power of the masses, upon which all large enterprises depend, would be maintained. We should not have sudden collapses of purchasing power under such conditions. Markets would be maintained. Consumption and production would be naturally related. If we had a planned production, excessive production followed by excessive unemployment would not periodically wipe out capital accumulations. Therefore, money could be more safely invested; and investors, feeling more secure, would be satisfied with lower rates of interest and their purchasing power would be more constant."

Edward J. Grimes

Edward J. Grimes, Vice-President, Cargill Elevator Co., Minneapolis, commented to the Senate Committee by suggesting the following measures to hasten business recovery: (1) Drastic reduction in all taxes; (2) Drastic economies in Federal, State and local government expenditures so that public and private credit may be restored; (3) Reduction in railroad rates; (4) Drastic curtailment of bureaucracy; (5) End enactment of class legislation (6) Repeal uneconomic legislation which interferes with the exchangeability of goods (such as the Farm Board).

John A. Simpson

John A. Simpson, President of the National Farmers' Union, in appearing before the Senate Committee, indicated his belief along the following lines: (1) Selfishness has made the ultra-rich as blind as Samson to the condition of the common people; (2) Institutions can get so big that it is not an economic or a safe or an honest unit; (3) Just a few big bankers completely control commerce, industry and transportation; (4) The morals of the country are bad socially, politically and commercially, and business through control of a large per cent of the press of the

country has corrupted politics; (5) In business today, to a large extent, neither the word nor the bond of the average business man is dependable; (6) The monetary system in use in this country has completely failed to furnish the people a medium of exchange. Positive proof of this statement he contends is found in the fact that hundreds of municipalities and organizations of the people are issuing scrip because they have no medium of exchange with which to do the business required in their localities; (7) The present monetary system and policies of government are directly responsible for an army of unemployed numbering 12 million and another army of 9 million only partially employed; (8) Also the present monetary system is responsible for the ruinous prices of most farm products; (9) Farmers are suffering primarily from the lack of a medium of exchange. They cannot get along on barter. They have to have a medium of exchange or else it ruins trade; (10) Today less than 4% of the people own more than 80% of the wealth of the nation; (11) In 2,000 years no nation ever reached the degree of concentration of wealth that we have in this country without revolution and overthrow of the government except that nation redistributed the wealth; (12) Through inheritance taxes it is possible to correct the greed and avarice in a man piling up wealth when he passes out.

So much for the causes of our present difficulties as Mr. Simpson sees them. With respect to remedies, he proposes the following recommendations: (1) Passage of the Frazier bill, S. 1197, not as a permanent remedy, but as an emergency measure in order to provide relief for the farmers who are financially sinking in the middle of Old River Mortgage. It provides for the Government refinancing farm mortgages up to 80% of the reasonable value of the farms on a basis of 1½% interest and a payment each year on the principal of 1½%; (2) Passage of the McNary bill, S. 5027, which also has the endorsement of the National Grange, the Farmers' Union and the Farm Bureau. It provides that the Government shall take charge of the marketing of farm products on a basis of seeing that farmers get cost of production for that portion of their crops consumed in this country. Mr. Simpson contends that the domestic allotment plan is a counterfeit of this bill and an unsatisfactory substitute; (3) Passage of the Wheeler bill, S. 2487 which provides for the monetization of silver at the ratio of 16 to 1; (4) Passage of the Rankin bill, H. R. 13012 which, as he sees it, provides a medium of exchange with which the people of this nation can carry on trade. It provides for an issue of paper money by the Government to be known as "Liberty notes." These notes are to be put out by the Government to the extent of bringing the general commodity index price up to the standard of 100 and the retirement of such notes, should the general commodity index rise above 103, until the price index goes back to 100. If the index price should fall to as low as 97, then the Treasury shall again put Liberty notes in circulation. In other words, it aims to stabilize the general purchasing power of the dollar at the normal index of 100.

Mr. Simpson goes on to say "It would give both debtor and creditor an honest dollar with which to deal with each other. It would mean that a farmer could pay his debt when due with the same number of bushels of wheat or pounds of cotton as it would have taken when he made the debt."

In concluding, Mr. Simpson claims that the Democratic party has pledged itself to carry out the objectives of most of his recommendations.

James H. Rand

In the course of its hearings, the Senate Committee

acknowledged receipt of a letter from James H. Rand, Chairman of Remington Rand, Inc., in which he submitted an outline of a proposed "Reemployment Corporation" along the following lines:

This corporation is to be organized with a nominal capital, to be subscribed by at least 100 leading business men.

The charter is to provide that any earnings in excess of 3 per cent per annum should be paid over to the Reconstruction Finance Corporation.

The corporation shall be so constituted as to be self-liquidating at the end of five years from the date of organization and such as to qualify for a loan from the Reconstruction Finance Corporation.

The corporation shall undertake only self-liquidating loans and shall devote itself exclusively to financing where the proceeds will result in the reemployment of additional workers through the normal channels of business.

The corporation shall negotiate a 5-year credit from the Reconstruction Finance Corporation in the amount of \$500,000,000 at a nominal interest rate not exceeding one-half per cent the first year, 1 per cent the second year, 2 per cent the third year and 3 per cent the fourth year; and the rate of interest to be charged by the Reemployment Corporation to borrowers shall not be more than one-half per cent in excess of the interest paid by the Reemployment Corporation to the Reconstruction Finance Corporation.

The Reemployment Corporation will loan funds to employers for two years with the privilege of an extension for two additional years at the prescribed rates of interest to any individual, firm, or corporation engaged in an established, going business, provided applicants for such loans fulfill the following requirements:

1. The applicant must have demonstrated the ability to manufacture and sell through continuous, solvent operation throughout the five years prior to date of application.
2. The average number of persons employed throughout this period must equal or exceed 20 employees.
3. Applicant must have demonstrated ability to operate at a profit during at least two years out of the last five years.
4. The maximum amount of any or all loans applied for by one applicant shall not exceed \$10 per week to be paid out during a 13-week period for each additional employe which applicant agrees to employ, not exceeding the maximum number employed by applicant during any single 3-month period in the year 1930.
5. Applicant must furnish together with his application a sworn statement of assets and liabilities as of the close of the latest fiscal year, certified by any reputable firm of independent auditors, together with a sworn operating statement for five years, showing profit or loss for each year and the amount of Federal income tax paid during each of the five last years.
6. Applicant must furnish a statement of employment, showing average number, maximum and minimum number of workers employed and total pay rolls paid during each of the last five years, and also average number of male and female workers employed and total pay roll for the calendar month preceding date of application.
7. Applicants must agree to the deposit of loan proceeds in a special pay roll bank account, from which funds will be withdrawn only for the purpose of meeting pay rolls and no withdrawals to be made for any other purpose while the loan remains unpaid.
8. Applicant must agree to render to the local member bank (through which the loan has been procured) a monthly report showing the average number of workers employed during the month and total pay roll for the month.

Each Federal reserve member bank throughout the country will be appointed and constituted as an agency of the Reemployment Corporation, authorized to receive and pass upon applications for loans under this plan.

All approved applications will be forwarded to the Federal reserve headquarters in the district where final approval or disapproval will be given.

Proceeds of each approved loan will be forwarded from the nearest Federal reserve bank to the member bank to be deposited to the credit of the borrowing employer in a special pay roll account.

George H. Davis

George H. Davis, president of Davis-Noland-Merrill-Grain Co., Kansas City, delivered a strong indictment of government activities in the farm field to date, and particularly those of the Farm Board. At one point he said: "I do not believe farm cooperatives raised as a pet will ever amount to anything. I think that the head of every business must sweat to make that a success." Referring to legislative efforts he said: "They call in so-called leaders of the farmers who six or seven years ago represented 4,000,000 farmers but today represent less than 400,000. From personal experience, I find eight out of ten farmers are against any artificial action by the Government."

Bernard M. Baruch

Among the other witnesses who appeared before the Senate Committee was the Honorable B. M. Baruch, who for many years has enjoyed a unique reputation in the field of economics and finance. He enumerated as principal causes of the depression: (1) Post-war and war inflation; (2) Enormous increase in governmental debts and taxes; (3) National self-containment, meaning the international trend based upon defensive rather than retaliatory considerations; (4) Overcapacity to produce; (5) The great delusion of unending wealth.

In connection with proposed remedies, Mr. Baruch points out as follows: (1) Reduction in public expense is indispensable to recovery; (2) It is the disparity (not the lowness) of farm prices which almost destroys the consuming power of the agrarian half of our population; (3) As regards tariffs, import quotas, domestic subsidies and other trade barriers—we shall not be able to "buy" these barriers down by debt or any other economic concession because the movement toward national self-containment is defensive (through fear of war) and not retaliatory. Therefore, to the extent that we depend on world trade, it is a continuing cause of our depression; (4) We should reject all plans which oppose or postpone the working of natural processes. We should aid and accelerate the effect of curative economic influence; (5) The farm crisis comes from overproduction, yet we propose to reward production by a billion-dollar bounty; (6) The single project to aid, and not to oppose, natural cure is to be found in the principles of the LaGuardia bankruptcy bill; (7) First and foremost, we must make adequate provision against human suffering; (8) We must put Federal credit beyond peradventure of doubt; (9) We must supply aids to rapid liquidation of debt; (10) We must create plans to encourage rapid consumption of commodity surpluses and to control productive capacity; (11) There must be a determination of policy on world economics, disarmament and debt.

In the course of his comments, Mr. Baruch makes it quite clear that in his opinion the credit of any government stands on two supports, namely, its gold reserve and its power to meet its current obligations through taxes. He is vigorously opposed to projects to inflate the currency

and holds that it is impractical to make commodity prices higher by the simple process of issuing more money. He regards confidence as the basis of higher prices and contends "If there is no confidence, no amount of tinkering with the currency can raise the price level. On the contrary, deficits and the financing of them by 'bank money' inflation (or even the mere talk of it) impair confidence still more and drive money deeper into hiding."

He goes on to say: "I am not given to prophecy but I am willing to hazard on this subject. From the moment that we honestly balance the Federal Budget and return to an orthodox Treasury policy, money will flow here from all the world and out of every cautious domestic hoard, seeking safety and employment, and we shall have reached the end of our downward path. There will be more sound money available than all the inflationists propose to print. That is the only way to restore to our people the means to earn their daily bread, and that will do it, in my opinion, with great rapidity. There is no magic in this conclusion. It is the simple arithmetic of the oldest axioms in the world."

He goes on to take issue with practically every proposed method of reflation and inflation and then winds up with the following recommendations as to the fundamentals of recovery: (1) Balanced budgets. We must make money work. To make money work we must balance the budget. A balanced budget and a sound money policy go hand in hand. If those two things are done, there would be more sound money flowing into activity than all the unsound money our inflationist friends propose to coin; (2) It is probable that bonds will have to be sold to provide money for relief purposes of many kinds, but accompanying the issue of these bonds there must be assessed sufficient taxation to take care of the interest and amortization of the bonds issued for the above purposes; (3) The beer tax should prove an important factor in balancing the budget. At this point he comments "If our budget had been balanced in the last three years, we would not have accumulated a deficit of five and one-half billion dollars, the interest upon which at 4% is \$220,000,000 per year, and with a sinking fund of 1% is two hundred and seventy-five millions—a very large proportion of our total cost of government"; (4) The government should stop advancing money to pay interest and principal on private debts of a doubtful nature, the way to avoid this being blazed by the principles of the La Guardia bill.

Mr. Baruch sums up his suggestions with respect to fiscal policy as follows: (a) Effect \$800,000,000 of actual and certain saving; (b) obtain \$150,000,000 of new revenue from beer; (c) cover all emergency appropriations by new revenue for sinking fund and interest thereon; (d) abandon the present Treasury method of financing the deficit; (e) restrict Government aid to debtors to immediate revision of the bankruptcy act and to a contingent liability on a guarantee of interest on scaled-down debts to be applied only on prudent risks.

In connection with farm relief, Mr. Baruch cautions against any plan which will in effect result in stimulating production and recommends methods which will in fact subsidize non-production.

In the case of farm mortgages, he proposes scaled-down bonds on which the interest is guaranteed by the government, on which scaled-down mortgages the interest base would be $3\frac{1}{4}\%$, with amortization graduated and starting at zero the first year, one-fourth of 1% the second year, one-half of 1% the third year, $1\frac{1}{2}\%$ the fourth year and 2% the fifth year. The plan is quite elaborate and it is impractical to present all the details in this article. It is deserving of detailed study, as are also his suggestions for curtailing surplus of farm products.

C. C. Teague

Another witness, C. C. Teague, presented his ideas, gleaned from his experience as president of the California State Chamber of Commerce, California Fruit Growers' Exchange and the California Walnut Growers' Association. He considers the fundamental cause of the depression to be the complete collapse of the credit structure of the country. He regards as the principal issue before us one as to how values can be restored to their proper relation to the dollar. He does not think decreasing the number of grains of gold in the dollar, remonetizing silver or issuing of fiat money are sound methods for solving this question. He believes the right course to follow is that of inflating or restoring credit by restoring confidence in banks so that 45 billion of deposits will operate in the credit structure. He feels that the Reconstruction Finance Corporation was created for this purpose but that it did not accomplish the proposed result because it failed to release bank credit and to restore the confidence of the public in banks, or even the confidence of bankers. Mr. Teague says: "There can be no return to normalcy until confidence in banks is restored so that there will be a normal operation of credit. In my opinion, it can only be done in time to meet the present emergency by emergency measures. I can see no hope except through some form of Federal guarantee of bank deposits. If bankers do not set aside their pride of position and consent to some form of guarantee of deposits we are headed straight for currency inflation and the only stable thing we have left, the value of the dollar, will disappear."

Mr. Teague goes on to say that the second largest contributing factor to the depression is the low buying power of the 30,000,000 people on the farms, due to depressed prices caused largely by surplus production. He thinks the solution on this score does not lie in the equalization fee plan, the debenture plan or domestic allotment plan, and holds that this question must be approached from a broader point of view which looks to the control of the total surplus of agriculture and bringing up the general level of all agricultural prices by some method of taking out of production the acres of land that are producing the surplus. In this connection, he regards the most practical suggestion to date as some plan of leasing the surplus acres to the government on a bidding system. It is presumed that most of the excess acreage could be leased on an average basis of \$4.50 an acre and that all of this could be recouped through a tax levy of \$150,000,000 to \$200,000,000, which would not be more than a bagatelle compared with the present price of agricultural crops of something like 5 billion and a value in normal times of from 10 to 12 billion.

Paul Block

Paul Block, newspaper owner in a number of cities, made the following recommendations: (1) First in importance is the balancing of the budget, preferably via a small manufacturer's sales tax, which may be eliminated once repeal of the Eighteenth Amendment is adopted. Balancing of the budget can be facilitated by reduction in bonus payments now being made to veterans of the World War; (2) The government should remain on a gold basis; (3) There should be a settlement of foreign debts based upon such considerations as trade concessions, agreement to return to the gold standard and concessions in disarmament; (4) Repeal of the Eighteenth Amendment should be hurried; (5) I would suggest a coalition cabinet, but fear our two-party political system makes more advisable the appointment of an active advisory board by the President to include half a dozen of our leading citizens,

no matter what their political affiliations; (6) It is imperative to undertake public works on a large scale to provide a way for general revival of business and to expand the credit of the country; (7) The government debt is now less than at the end of the war. Our resources are greater than then. We are justified in increasing our national debt to help regain prosperity for our people; (8) A way should be provided to help the unemployed veterans, and I would suggest that this be done through giving them preference on Federal public works; (9) I am opposed to changes being considered in tariff schedules, except with nations which are definitely on a gold basis. In fact, I consider it necessary to raise tariffs against the products of countries which use depreciated currencies; (10) a plan must be found to help the farmers, but I do not believe in a dole system for them or for anyone. Moratoriums for farm mortgages seems essential, as are also lower interest rates. As to prices of agricultural products, if a legal way could be found to limit the production of wheat and cotton and to place a minimum price on them that could be successfully worked out, without Federal subsidy, and without too great cost for administration, this may be the method to pursue.

Mr. Block is opposed to remonetizing of silver but he does not think that 5 or 6 billion dollars' worth of additional bonds would impair the credit of our country.

Dr. Herman F. Arendtz

Dr. Herman F. Arendtz, economist of the United Business Service of Boston, attributes the causes of the depression to two things: First, the familiar credit crisis resulting from the collapse of over-extended credit and, second, the long and grinding world depression caused by falling world prices. As to the first cause he says:

"It is due to the money credit system which we have. We talk about the United States being on a gold standard. Actually it is a managed credit system with a gold facade. The reason I say that is this, because the chief instruments of conducting transactions are bank deposits subject to check. Eighty-five to 90 per cent of all transactions are done with checks normally.

"Now, if you figure that way—and I do—the actual gold cover in 1929 was not the 60 or 70 per cent that the Federal Reserve gold ratio reports, but against the whole of that currency was only 18 and a fraction per cent. And today it is about 21.6 per cent. I do not think that is too much gold. It is so little that the value of gold does not determine it. It is the expansion and contraction of credit that does it and carries the gold with it."

Dr. Arendtz divides remedies into the following classifications: (1) Immediate relief to prevent banks, insurance companies, railroads, etc., from collapsing and to keep people from starving, with Federal credit as the primary means of supplying necessary credit relief; (2) Balancing the budget, not only Federal, State, municipal, business, but every kind. He believes the Federal budget should be balanced by cutting expenses, not by putting new taxes on an impoverished people. He recommends payroll reductions, including substantial trimming of the remunerations paid to war veterans; (3) Building up the price level which involves inflation in some form. In this connection he says:

"It is not overproduction that lies back of this depression, but decline in demand. In 1929 there was a comparatively small excess in production, but nothing that would account for any such collapse as we have today."

Of the methods for raising price levels through reflation he speaks as follows: (1) "One is the reflation of bank credit. Now, the Federal Reserve for the past year has been trying to effect a reflation of bank credit by buy-

ing Government securities and putting excess reserves at the banks' disposal, hoping that that would expand their loaning policies. But solvent borrowers have already got as much money as they need to finance what little business they can do. And borrowers who merely want to be carried and can not show profit-making possibilities bankers are not interested in. And so it has simply failed to expand, that is all. It has been impossible to expand it." (2) Reflation by more hard money and less credit based upon a remonetization of silver. This is the method recommended by Dr. Arendtz on a basis where its relation to the gold dollars is such that we will not be dealing with two monies of two different values. He also feels that such remonetization ought to be done on a fixed ratio by international agreement.

Among other suggestions made by Dr. Arendtz are: (1) All banks should be brought under Federal jurisdiction and every bank taxed out of existence that does not join the Federal Reserve system where it can be controlled; (2) Higher reserve ratios should be required in the future.

In the course of the appearance of Dr. Arendtz, the following rather interesting conversation ensued:

Senator Tom Connally, of Texas: "Now, isn't it true that the reason gold is worth so much more than silver is because the demand for gold as money has created an artificial value for gold?" Doctor Arendtz: "Yes, sir."

Senator Connally: "You want to cheapen gold money and your plan is to make it, arbitrarily by law, cheaper by lifting up silver." Doctor Arendtz: "Diluting it with silver is a good word."

Senator Connally: "You are going to reduce it by saying that instead of its being worth 80 to 1 it is 20 to 1, and your purpose is to make the gold dollar cheaper." Doctor Arendtz: "Yes, sir."

Senator Connally: "And any other reduction in the value of gold which would be practicable would have the same effect, wouldn't it?" Doctor Arendtz: "Yes, sir."

S. W. Anderson

S. W. Anderson, of the Equity Corporation, New York City, commented as follows: "If prices rise in an atmosphere of confidence, the burden of our debt structure will be substantially reduced, our budget can be balanced with comparative ease, credit will begin to turn out more rapidly and new credit can be created because the demand for it will appear. In short, the deflation will be stopped. I believe that the most effective way to accomplish this desired result would be, if possible, some relatively simple, very dramatic step which would convince the largest part of the American public that the value of gold had reached its peak and was about to decline, while assuring them simultaneously that our currency is to continue to be convertible into gold on demand at the present rate of \$20.67 per ounce in minted coins. How can this be done? I will outline how I believe this combination of events can be accomplished. At the moment, aside from that consumed in the arts, the only buyers of bullion gold are the mints and central banks in the countries still on a gold base; that is, United States, France, Switzerland, Holland, Belgium, Italy, Germany, Austria and now Poland. England is also a spasmodic buyer.

"My plan suggests that all of the countries be induced, in a manner I will specify, to withdraw their bids for gold by altering their fiscal laws removing the obligation on the part of their central banks or mints to purchase gold at a given price. For example, in the United States it would take the form of a simple amendment to the Federal Reserve act—and such other acts as applied—removing the obligation of the mint and of the reserve banks to pur-

chase bullion gold at \$20.67 per ounce. The legislation would not specify when, or if so, at what price the mint or the reserve banks would resume their purchase of gold bullion.

"It should be emphasized that this legislation does not alter in any manner whatsoever the gold content of the dollar nor does it relieve the reserve banks, or the central banks of other countries still on a free gold basis, from the obligation of paying minted gold coins of the present weight and fineness across their counters to holders of their notes at all times. It will, in fact, tend to emphasize the continued convertibility of our currency."

George N. Peek

George N. Peek, formerly president of the Moline Plow Co., and previously with Deere & Co., and previously a member of the War Industries Board, stated that agricultural legislation now seems imperative in order: (1) To correct price disparity and to prevent or minimize its recurrence; (2) To remove some of the burden of debt and interest charges; (3) To restore foreign outlets for American products; (4) To reduce local, State and Federal expenses, in order that taxes may be brought into proper relation to reduced earnings and incomes; (5) To provide short-term credit and banking facilities where they are now lacking; (6) To provide a more adequate and better adapted rural credit system to remove discrimination between agricultural and other borrowers; (7) To inflate the currency if the foregoing are insufficient.

In the course of his comments, he said: "Taxes and interest which amounted to about 20 per cent of farm production expenses in the pre-war period have arisen to 40 per cent in 1930. There are only two ways of correcting the disparity between agricultural and industrial prices: (1) Raise agricultural prices, or (2) reduce industrial prices to the level of agricultural prices. Farm leaders consistently have urged the first method. Responsible leaders of labor have opposed them. If the second method were adopted, it would mean cutting industrial prices to half or less than half of their present levels. This would mean complete chaos in labor, industry and finance."

Rene Leon

Rene Leon, bullion expert, of New York City, commented in part as follows:

"A much greater volume of business has been transacted in America with a much smaller stock of gold than the present one, and with much less currency in circulation than is now outstanding. Hence we have no shortage of currency.

"Money market rates for all maturities, quotations for short-term Government obligations, and large banking reserves, all bear testimony to the fact that credit is superabundant. Hence we have no shortage of credit.

"Having neither currency nor credit problems, it follows that our dollar needs no alteration. But we have a problem which is basic and fundamental; one upon which our welfare depends and which requires immediate solution; it is the problem of prices.

"Today our prices suffer, from the dollar's position of inequality or disparity, in its relation with the currencies of over four-fifths of the world's population. This disparity between home and alien currencies also creates a disparity between home and alien prices which results in our inability successfully to compete in the world's markets with those whose currencies and prices are depreciated, thus causing our normal exports to back up onto our local market and depress our prices. It also results in the flood-

ing of our market with goods produced in those countries where depreciated currencies are the bases of prices.

"The instruments of self-defense are in our lands; were the Executive, in whom power is vested, to exercise his prerogative, one-half the program of defense would be effectually established within 24 hours. A prohibitive fee on the export of gold would achieve this result. The President's authority to act is vested in him under section 5, subdivision (b), title 50, United States Code Annotated, pages 204 and 205.

"Let us now analyze the consequences of such action on our economy. The founders of this country did not create the dollar as an international currency, but as the currency of the people of the United States. The duty of Government is to maintain its redeemability, in accordance with the law of the land, for the benefit of American citizens. The application of a license fee on shipments of gold for export would in no wise threaten the redeemability of the dollar. On the contrary, it would insure it by removing certain destructive foreign elements which, because they undermine our economy, threaten our currency system. Under the new condition any citizen could redeem his notes in gold on demand.

"Some may object to this procedure on the ground that we would lose prestige as a free gold market; but what is prestige? Webster defines it as 'a weight or influence derived from past success.' Let us, therefore, review the past and squarely face our achievements. For the sake of maintaining a free gold market for aliens we have sacrificed our price level, and thus upset the normal basis of economic relation between our creditor and debtor classes. Our debts and taxes having become unbearable, we are now facing all manner of unsound legislation designed to relieve us of the intolerable burden which is breaking our backs. If this be the price of such prestige as we derive from the maintenance of a free gold market for aliens, then, together with the Romans, we can well exclaim, *'Venenum in auro bibitur'* because we are indeed drinking poison from a golden vessel.

"The second half of the program consists in further correcting the disparity of the dollar in its relation with the important silver exchanges. The influence of silver-using countries on world economy has been consistently underestimated by pointing to their relatively small contribution to the total of world trade. No greater blunder could be made.

"Authority should be given the Treasury to purchase \$200,000,000 in silver at a cost not to exceed 50 cents per ounce, purchases to be made in the world's markets and not restricted to American production. The financing of this operation could be effected by expanding by an equal dollar amount our issue of silver certificates now outstanding in the sum of approximately \$500,000,000, or by utilizing part of the gold now held as reserve for gold certificates and United States notes combined, now outstanding in the sum of approximately \$1,500,000,000.

"While no country can pretend to a monopoly of the control of prices, it is equally true that no nation alone can succeed in raising world prices. However, an Anglo-American understanding will constitute a force of such numerical proportions as will insure the realization of our objective. Therefore, the part of wisdom is for the United States to assume an attitude of enlightened selfishness, by adopting a policy of give and take toward our friends across the sea. Provided Britain will work with us to raise prices and to restore international trade, we should work with her to enable her to put the pound back to its former time-honored gold parity, and assure stable monetary conditions for England which can only come about if the burden of her debts to our Treasury is not

such as to constitute a constant menace to her currency.

"Any control of approximately 50 per cent of the world's currency constitutes the control of world prices. I do not care to say that it would not be very highly desirable to bring all currencies into line, but I say that if you can bring at one fell swoop 50 per cent of the currencies of the world into line you have done the better part of the job. In other words, if an Anglo-American understanding can be arrived at, that understanding will constitute the bandwagon which everybody has got to board.

"If the United States and Great Britain come to an agreement about the desirability of lowering the price of gold through any instrument that they can think of, I believe that they will have to pick silver as the only instrumentality whereby that can be achieved because there is no other international instrument known to man. All of the other instrumentalities of exchange are local in their nature. The sterling exchange covers 600,000,000 people. Gold covers the entire population of the globe, and so does silver, in that they have a market everywhere. Furthermore, they are both deeply embedded in human psychology as money metals. They are both subject to the same legal fiat, and therefore can be created as reciprocal equivalents of each other. If there is any other instrument whereby the lowering of gold can be achieved, I will take it with my eyes shut; but I do not know of any other.

"In my assumption, the price system is threatened entirely by the fact that today the world is measuring all values, all prices, in terms of a cornered metal—gold. And that to a very large extent the present stocks of gold are sterilized.

"I will repeat it in this wise: I think it bears repetition. Prices, that is to say world prices, can not respond to local instruments. They can only respond to international instruments. If you extend credit and/or currency locally you are really attempting to raise one corner of the pond. To increase the whole pond you have got to use an international instrument. Gold and silver are the only two international instruments that we know of."

Mr. Leon went on to explain that in his opinion the only way of expecting to raise prices, particularly in world markets, is through depreciation of the value of gold as compared with other commodities and appreciation of the valuation of silver with the stabilization of the two based upon agreement between England and the United States. He also feels that as we are the possessors of so much gold we are in a position to effect the stabilization downward as far as gold is concerned better than anyone else. He does not believe in reducing the value of the gold dollar by cutting down its content because he believes this follows the principle of depreciation as distinguished from stabilization downward.

Daniel Willard

Daniel Willard, president of the Baltimore & Ohio Railroad Company, filed a letter in answer to the request of the Committee. The following is extracted therefrom:

"It seems to me that whatever is done should be done primarily because it is hoped and believed that the doing of it will contribute towards relief of the unemployment situation, and by 'relief' I do not mean a dole, but work for the men who are anxious and willing to work, but unable to obtain work. With this in mind it has seemed to me that there could be no doubt about the desirability, in fact the importance, of taking early steps to balance the budget. No individual can go on indefinitely living beyond his means, nor do I think a government can follow such a course with impunity.

"If in addition to a substantial reduction in the cost of government it is deemed necessary to increase the amount to be raised by taxation, it seems to me that a sales tax uniformly applied, naturally small in terms of percentage, would be the best course to follow. Income taxes are already so high that we hear men constantly speaking somewhat as follows: 'What is the use of risking my money in business in the hope of securing attractive profits when if I succeed in making profits they will be largely taken away by the government? A much easier course would be to invest my money in tax-free securities and escape all risk and worry.'

"The next and only other recommendation which I would make has to do with our so-called governmental debts. Personally I believe it would be better for us and better for the world, or that part of the world in which we are particularly interested, if all such debts relating to the war could be canceled. I have two reasons which seem to me to justify this conclusion.

"My first reason is this: Certainly the Great War was our war after the 6th of April, 1917, whatever it may have been before that date; but it was upwards of a year later before we were able to make any substantial contribution in support of our Allies by furnishing soldiers for the battlefield. In the meantime we could assist them and did so by loaning them large sums of money with which to secure the things necessary to carry on the war with their own boys while ours were being trained. It so happened that I had a son in the Harvard Law School when our country entered the war. He left the school at once, entered the training camp at Fort Myer, received his commission as second lieutenant and was sent abroad in September, 1917. Most of the time he served in a battery in the Twenty-Sixth Division at the front. Happily he returned in 1919 without injury and in good health. My son was only one of the 2,000,000 sent abroad, but the fact that he and so many others came back without injury was due in part at least to our inability to send trained soldiers and equipment over in the spring of 1917, immediately after we entered the war, and to the further fact that English and French boys, among others, were bearing the shock of battle and losing their lives at a time when the only thing that we could do was to furnish money, much of which was spent in our own country. For these reasons and others I have always felt that the money which we advanced for the purpose of winning the war really meant that we were sending our money to the battlefield instead of our boys, and so far as I am concerned I do not want any part of whatever my share would be of any payments that might be made to our Government in that connection. That is my first reason for feeling that such debts ought to be canceled.

"My second reason is this: It has seemed to me that probably nothing would do more to restore orderly conditions in those countries, particularly those with which we ordinarily have close economic relations, than to wipe out as completely as possible all inter-governmental debts, and if this could be done it has seemed to me that that of itself would have a tendency to stimulate trade and commerce, broaden the market for our agricultural products, and also lead to additional employment for some of the men now unable to find it.

"On the assumption that it would be impracticable and perhaps undesirable to simply cancel such debts as I have in mind, it seems to me that we should at least be willing to go as far in that direction as our associates in the war were willing to go and did go at the Lausanne Conference. Personally, however, I would prefer to accept the formula which was announced by Governor Smith some months ago."

Jackson Reynolds

Jackson Reynolds, prominent New York banker, was reluctant to discourse at any length because of a very modest estimate of his own competence and his own view of the horizon and because of his disbelief in the omniscient capacity of any one man to point the way to recovery in this complex situation. His comments included the following observations: (1) There was a terrible destruction in the war. We did not pay for it as we went along except with I. O. U's. All of which appear to be heading this way. And now we have got to pay for them. It will be a very long process, and I doubt if legerdemain or formulae will produce the payment; (2) None of us has very much faith or give much credit to the extravagant, spendthrift, prodigal man. I think it is the same with the Government, and I think that the Government appears to many of its thoughtful citizens as being on the road to spendthrift, prodigal dealings with its affairs; (3) The major premise of my feelings of the difficulty is that of the failure of the Government to live prudently within its income. Until we do that we shall not get out of this difficulty. We shall not get out of it immediately if we do it, but we shall make a greater contribution to getting on the road to recovery by doing it, in my opinion, than by any other expedient we might adopt; (4) The negative corollary is that I think the Government should not create a new fear in the people that its currency is not entitled to faith and trust and credit; (5) Balancing the budget through the restoration of trust and confidence in faith would have a reflex on other countries, on states and on cities, the cumulative effect of which would be important; (6) I do not believe the budget can be balanced by any device of added taxation because we cannot levy enough taxes.

Mr. Reynolds goes on to indicate his belief that most of our troubles are due to the fact that most of our people were spending more money than they could well afford and that the same has been true of government and that, therefore, the chief remedy lies in reducing expenses so that they fall within current income.

Myron C. Taylor

Myron C. Taylor, chairman of the United States Steel Corporation, followed orthodox lines in most of his comment. The following remarks which he made are significant:

"In our two related industries, agriculture and railroading, we have a very great interest. Agriculture is not governed by the same rules that manufacturing is, because, apparently, overproduction does not decrease the effort to produce. Overproduction and declining prices in manufacturing tend to reduce production and to stabilize prices, within reason.

"Our fear in respect to agriculture, which we look upon as the source from which all our lives gain inspiration in an economic sense, is that it does not take quite seriously enough the problem which faces it, and it looks more to relief through finding funds to purchase at rising prices its overproduction than it does in going to the root of the difficulty and limiting production."

Mr. Taylor also argued for stabilization of exchange upon a satisfactory level, for universal balancing of budgets and for elimination of the fear of tampering with the money system.

John F. Hylan

Honorable John F. Hylan, former Mayor of New York City, presented testimony with quite a spit-fire flavor to it.

He represented the World Monetary Reform League, of which he is president. The following extracts are typical of his comment:

"The primary cause of the depression is a scarcity of currency and credit money caused by the maladministration and defective operation of our monetary system. The World Monetary Reform League takes the position that modern progress has outgrown our present monetary system which we condemn as grossly inadequate and improperly administered by the big bankers for the needs of industry, trade and commerce. We take the position that business stagnation, industrial depression, unemployment and starvation are the direct results of a world need of a sufficient, scientific medium of exchange administered for the benefit of the masses and not for the private profit of any group.

"Studying the ill effects flowing from the Federal laws, we find the basic evil to be the private control of our currency and the operation of our present monetary and banking system, tolerated, permitted and fostered by laws intended to be beneficial and for the good of the people, but which, in their operation, have been twisted and diverted from their original purposes, resulting in an oppressive and intolerable situation, that must be immediately corrected and remedied.

"When the constitutional convention granted to the Federal Government the right to 'coin money, regulate the value thereof, and of foreign coin,' it certainly intended that this power should be exercised by the Federal Government direct, and not farmed out to private profit-making corporations.

"During the Civil War the 'Gold Ring' cornered gold and attempted to force the Federal Government to pay extortionate prices for it, but Lincoln's administration resorted to the issuing of greenbacks, which by increasing the volume of money eased the financial stress and enabled our Government to prosecute the war to a successful conclusion.

"The so-called 'gold standard' is based on an utter fiction. As a matter of fact, there is not enough gold available on earth to redeem all our own paper money issues in gold, much less those of other countries.

"While this country legally maintains the gold standard, neither the United States nor any other country ever has been, or can be, on an actual gold basis. The assumption is that no matter what form of currency we have now in circulation, we can demand and receive gold for it. This is absolutely untrue or incorrect.

"The fact is that the amount of gold would not be sufficient to redeem the other forms of money, and the big bankers who cry loud for sound money know it. The bankers know that this country is not, strictly speaking, on a gold basis and never has been; but its monetary system is based mainly on 'fiat' bank deposit credit money out of which they are making tremendous profits.

"Lending to local people is the safest kind of lending but the first thing the local bank does with a part of its surplus credit is to deposit it in a big New York City bank. The New York bank, in turn, may either lend it to a broker on the Stock Exchange who lends it to a speculator, or it may lend it to a foreign bank where the interest rate is very high or the bank may buy foreign Government bonds. It is used then for any purpose the foreign Government may see fit.

"Big and little banks all over the country perform the same act of multiplication, all in the same general way, lending their surplus until, in many instances, too much has been loaned on things which afterward turn out to be bubbles.

"If the bank has multiplied credit in the ratio of 10 to 1

and its depositors begin to withdraw their cash, the little local bank must call in loans and deposits with the big banks. It calls upon the New York bank to return the amount the local bank has sent it in loans or deposits.

"The New York bank has loaned that money on call to the big Wall Street brokers and must call in their outstanding loans. If the banks that supply the Stock Exchange with credit all call at the same time for that credit to be returned, because thousands of local banks all over the country, where the credit came from, are calling upon them to return it, the Stock Exchange brokers are sunk. They must say to their customers: 'We can not carry your securities any longer on credit. If you can not pay for them in cash immediately we shall have to sell them for what they will bring to save ourselves.'

"This causes panic on the Stock Exchange, similar to the one in 1929. The broker's loans collapsed first; in the stampede to sell in order to pay debts, stocks crashed and this started the long train of events which is still going on, including the fall of commodity prices. Selling, at first normal, soon turns into distress selling, which is forced selling to preserve one's solvency. The more stocks and commodities are sold because of lowering prices, the more prices sink and compel further selling.

"Pyramiding of credit and collecting profits in interest by the banks with too small a deposit or base of real money is a most dangerous policy for the welfare of those who deposit real money. Pyramiding paper money on too small a volume of gold reserve and the bolstering up of bankrupt foreign countries with the wealth of the people of this country have resulted in the breakdown of the people's wealth. That is the fundamental cause of this depression.

"The confidence of the people in the financial institutions of this country has been destroyed. They have lost faith not only in the bankers and brokers, in stocks and bonds, but also in the laws upon which they had fondly believed their prosperity was firmly fixed.

"Woe to those who have betrayed this trust! When the unemployed and those who have lost the result of their life's labor and the savings put aside for their families understand how it was done and who did it they will drive out those who betrayed them even as Christ himself drove the greedy money changers from the temple."

Mr. Hylan concludes by stressing the point that a fair increase in currency is not inflation but actually is deflation so far as the purchasing power of money is concerned. He believes the remedy to our present problem is "to expand and control the expansion of currency and credit and to counteract the unjust, the unsound, the ruinous contraction of currency and credit which has taken place, thereby restoring the people's confidence not only in the monetary system but in our government as well." He proposes the issuing of legal tender Treasury notes, not redeemable but interchangeable with gold. These Treasury notes, he points out, could be put in circulation by redeeming government bonds and by paying the current expenses of the government in lieu of levying additional taxes upon the people or further penalizing honest business interests.

His primary aim is to persuade people to stop shifting their commodities, property and securities to currency and government bonds and reverse the process. He also argued strongly for a substantial volume of public works in order to put money into circulation and to put millions at work, and recommends the issue of Treasury notes rather than interest bearing bonds in payment therefor. He does not believe in the balanced budget to the extent that such a program conflicts with same.

Through the reflation measures he proposed, Mr. Hylan aims to stabilize property values and commodity prices.

Also to enable producers, manufacturers and farmers to operate at a profit and with a reasonably stabilized unit of exchange value.

Edward D. Duffield

Edward D. Duffield, president of the Prudential Life Insurance Co., attributes the fundamental difficulty to a general lack of confidence. He thinks such confidence can be restored by balancing the budget not only of the Federal government but also of the state and municipal governments. He does not believe that curtailment of salary furnishes any solution to the problem either in the state or the union, though he does believe we can cut off certain activities. He believes confidence can be restored by measures which allay the present uncertainty with respect to radical changes in our monetary system. Among other things, he said: (1) The life insurance business is the largest debtor there is in the country; (2) The Reconstruction Finance Corporation was justified through its ability to help perfectly solvent institutions which might not speedily be able to liquidate their assets; (3) There is little or no advantage in aiding an institution which under no circumstances or conditions can avoid a final bankruptcy; (4) The government may properly extend aid to the states or to the municipalities who necessarily are burdened with the care of the unemployed; (5) It is hardly possible for mortgage institutions to scale down the debts owed to them if in turn they are not permitted to scale down the millions owed to those who entrusted funds with the insurance companies; (6) He suggests that it is not wise to deal with all debtors as a class and that the real problem in the case of the needy debtor is to provide him with adequate time in which to fulfill his obligation; (7) He does not believe in universal moratoriums.

Dr. H. C. Dickinson

Dr. H. C. Dickinson, president of the Society of Automotive Engineers, presented a rather different solution from that offered by most of the witnesses. The following is the gist of his idea:

"The annual income of the individual and the Nation is made up of net earnings plus or minus the increase or decrease in the value of our capital as a whole. The result may be positive or negative, depending upon whether earnings are going up or down. When an inflation occurs the selling price of capital increases above its earning power; and a remedy for an inflation can be found in preventing that increase.

"Such a remedy would consist in determining by means of a public agency, nonpolitical in character, when this condition occurs and, at such time, levying a special stabilization tax on the difference between the real value of capital and the sales value of capital. Such a levy would amount at most to 50 per cent of the difference and should not exceed a fraction of a per cent of capital value. Such a levy must be expended for such things as social capital, and such expenditure for social capital should be encouraged. Those who are taxed should be encouraged to spend for social capital of their own account. In other words, the tax should be remitted to anyone who will so spend the surplus which can not be invested. It might be, for instance, in bonuses to employes or in public works or in any accepted form of social capital.

"If a panic occurs, the price of capital falls below its earning power. This situation is not a serious matter and has often occurred, resulting in what have been known as Wall Street panics, without having any appreciable effect on the general welfare. If this condition cures itself

promptly, no remedy is necessary. If it does not cure itself promptly, we fall into a cumulative depression. Such depression is cumulative because the loss of net national income exceeds the gain in individual income by the discharge of personnel.

"Such a point was reached in the present depression early in 1930. Early in 1931 this differential was 2 to 1. At this point the discharge of employes to the extent of a million dollars reduced the national income by \$2,000,000. Near the beginning of 1932 the factor was 3 to 1."

David F. Houston

David Franklin Houston, president of the Mutual Life Insurance Co. of New York, presented a very exhaustive review of economic history throughout the world, which included very elaborate, comprehensive and detailed data of a statistical character. Following this review his remarks included the following:

"I am not one of those who think that this country is in quite as desperate a situation as some people think it is. I do not think it is the worst time in the history of the world, and I do not think, broadly speaking, it is as bad in some respects as the country has been in preceding depressions.

"The public naturally pays more attention to the bank suspensions than it does to those that continue. In 1931 we had 2,290 banks to suspend, with deposits of \$1,700,000,000 in round numbers. Of these, 1,781 were State banks with deposits of \$958,000,000. But at the end of the year we had nearly 20,000 banks still going, with deposits around \$50,000,000,000. And I think if the public realized those facts they would be a little less panicky than some of them are." Anent remedies he remarked:

"(1) The Secretary of the Treasury is right in suggesting that if we can be certain of maintaining the credit of the Federal Government and that we are going to continue with a sound monetary system, that we ought to have a refunding operation to reduce the interest charges; (2) It is of the utmost importance that the people of this Nation must realize that by hook or crook they must get a stronger banking system; (3) I do not believe that we have as much banking talent in the Nation as we have banks. And the banking talent is quite as important as the financial set-up of the bank itself. I think we have entirely too many small, weak banks; (4) Guarantee of bank deposits has usually worked badly wherever it has been attempted; (5) In connection with war debts and tariff, efforts should be made to secure revision of restrictions abroad which have been mounting and which are even more depressing there because of the small units; (6) The conditions as to the competition of railroads with the trucks using the public domain should be equitable. My own personal opinion is that the trucks are not as heavily taxed. They run on highways, rights of way which the public generally provides; (7) I would like to see, with the Department of Agriculture and the land grant colleges and the best farmers checking it up, the agricultural press and other agencies launch a program to induce the farmers to become independent by producing what they eat and feed, and then putting their surplus labor and capital in special crops. Then they would not glut the market. I do not know any other broad program that is going to do very much good; (8) Allied debts have been given undue prominence. I think it has been a relatively small factor in the whole situation. I know that it has complicated the exchanges. They have had difficulty in paying in goods and they haven't the gold. I personally would not cancel those debts, but I would be willing to discuss adjustments of them provided

they can show that America can have any compensation out of it; (9) I have given thought for a good while to suggestions for inflating our currency, and I can not think of anything that would more quickly precipitate a crash and a collapse than efforts in that direction."

John L. Lewis

John L. Lewis, president of the United Mine Workers of America, made the following interesting comment:

"The political stability of the Republic is imperiled. In excess of 12,000,000 wage earners are unemployed. In certain industrial States the percentage of unemployed equals 40 per cent of the enrolled workers. Of the remaining 60 per cent a large number are employed on a part-time basis and are the victims of a continuous schedule of wage cutting. Those who are employed, directly or indirectly, must inevitably bear the burden of supporting the millions to whom employment is unavailable. The cost of maintenance of government, and the support of nonproductive institutions is, therefore, day by day being passed to the continuously decreasing number of citizens who are privileged to work.

"Labor should be given greater recognition in the affairs of government, and its spokesmen should be given representation upon boards and commissions exercising governmental functions. During the period of the World War labor was given such recognition, and inasmuch as the Nation is now confronted with an emergency even more grave than was the case during the years of 1917 and 1918, labor should again be given its seat at the council table."

Among the remedies he proposed were the following: (1) A board of emergency control should be created. It should be composed of representatives of industry, labor, agriculture and finance. It should be given plenary emergency power, under the direction of the President; (2) The board should be instructed to reduce the hours of labor, and the number of days in the work week, to a point where the industrial machinery of the Nation can substantially take up the slack of unemployment, and under conditions where labor is accorded the right of collective bargaining through representatives of its own choosing; (3) This board should also be instructed to stabilize the prices of agricultural products and other commodities to a point that will express reasonable return to the producers thereof; (4) The board should be given other instructions as to fundamental economic planning in accordance with the judgment of the Congress.

L. J. Taber

L. J. Taber, master of the National Grange, attributes the causes of our present problems to (1) World War; (2) A debt-ridden and almost bankrupt world going on a drunken orgy of speculation; (3) Maldistribution of wealth; (4) The machine age causing productive ability to outrun consumptive capacity; (5) Failure to provide a stable medium of exchange; (6) Failure to recognize that farm prosperity is synonymous with national well-being.

Among the remedies proposed by the Grange, which he represents, are the following: (1) Encouragement of co-operative marketing under a public board or commission which is bipartisan in character; (2) Adoption of a sound policy of surplus control, whether by debenture, domestic allotment or some other practical plan; (3) Continued Federal financing of land-grant colleges; (4) Independence for the Philippine Islands; (5) Federal control along equitable lines of motor transportation; (6) Maintaining and increasing the estate tax; (7) Laws to control the

debt incurred by state and local taxing units; (8) Elimination of bonds to cover current expenses in government; (9) Avoidance of a general sales tax; (10) No diverting of gasoline taxes to purposes other than highways; (11) Federal collection of taxes on tobacco with pro-ration of part to the states; (12) No payment of a cash bonus to war veterans at this time; (13) No paying of benefits to veterans who have no service-connected disability; (14) Emergency financing through the Reconstruction Finance Corporation and its affiliates for the farmers, to the end that the farmers may hold their property through the period of ruinous prices; (15) Establishing an emergency holding corporation to acquire, hold and dispose of lands now owned or hereafter acquired by Federal land banks; (16) Federal guaranty of Federal farm loan bonds, with provision for refunding existing loans at the lowest rate of interest possible; (17) Elimination of duplication in governmental agencies making farm loans; (18) Establishment of cooperative agricultural credit associations with rediscount privileges; (19) Monetary stabilization along the following lines: (a) Increased purchase of securities in the open market by Federal Reserve Banks; (b) Reduction of rediscount rates by Federal Reserve banks; (c) Reduction of the legal minimum gold reserve ratios of the Federal Reserve banks; (d) An international monetary conference for the purpose of stabilizing the gold price of silver and/or stabilizing the purchasing power of gold in terms of the average of wholesale prices of commodities; (e) Expansion of the currency to such an extent as to raise the commodity prices to the average level obtaining from 1921 to 1929, to the end that both public and private debts may be justly liquidated, and to furnish us with a medium of exchange whose value shall be stable from year to year.

Mr. Taber also filed with the committee what was described as the National Grange's partial report on Federal depositories. The following is an extract therefrom:

"Changes should be designed to accomplish the following purposes: 1. Provide a place where our people can keep their money with the best possible assurance that they can get it when wanted. 2. Provide a dependable source of credit for individuals and industry on a sound basis. 3. Maintain a supply of money and credit sufficient to meet legitimate regional and seasonal requirements. 4. Curb or control speculation with other people's money. 5. Prevent investment of other people's money in questionable securities, both domestic and foreign. 6. Avoid foreign complications through financing with other people's money for profit of private bankers without regard to international complications which might result therefrom.

"To bring about these results, the resolution under study proposes the following changes in our banking system: 1. The separation of the two functions of our banking system: (a) The custody of funds of depositors, (b) the lending of money. 2. The establishment of Federal depositories to assume the custody of depositors' money and to conduct the checking business. 3. The lending of depositors' money by Federal depositories only to properly capitalized rediscount agencies upon approved securities. 4. Banks, as now operating, to receive no money on deposit for their own account, but only as agents for the Federal depository. 5. Banks to constitute the lending agency of our banking system, lending their own capital and rediscounting their paper through the Federal depositories. 6. Federal depository to be a bureau of the Treasury Department under the supervision of a Federal depository board similar in make-up and powers to the Federal Reserve Board. Such bureau to issue currency under regulations similar to those now in effect in our Federal Reserve system."

L. F. Loree

L. F. Loree, president of the Delaware & Hudson Railroad Corporation, confined the bulk of his remarks to a discussion of what is going on in the railroad business. What he said is highly illuminating in character but does not lend itself to intelligent summary because of the importance of statistical data included. He stated in part:

"To adapt the railroads to the changing conditions, we must, among other things, look to—1. The adjustment of taxes, wages and working conditions. 2. Elimination of waste through the abandonment of all unused service, obsolete facilities, and mileage no longer justified by the traffic. 3. The development of the essential railroad facilities to the highest state of efficiency through the improvement of grades, reduction of curves, shortening of lines, application of heavier rail and ballast, strengthening of bridges, and improvement in equipment. 4. Amelioration of the five major hazards of the employe, *i. e.*, sickness, accident, death, unemployment and superannuation, or the incapacity of old age. 5. The following are changes that it is suggested might be considered in a recasting of the Interstate Commerce Commission's activities: (a) Extend regulation to all commerce and all carriers which the Federal Government has power to regulate. (b) Separate the conflicting and inconsistent powers of prosecutor and judge, neither of which can be adequately exercised when both functions are in the same hands; vesting the former fully in the Interstate Commerce Commission; and leaving the latter to the courts."

He does not approve fooling with Government credit any more than with private credit and thinks that the Government ability to market short time notes is becoming pretty well exhausted; he does not see any reason whatever why the Government should not be liberal in its construction program for worth-while things.

Flint Garrison

Flint Garrison, Director General of the Wholesale Dry-goods Institute, commenced with an economic review and then said: "The facts clearly indicate that the present economic plight of the United States may be chiefly—if not solely—credited to our mechanism of finance, which term I use to designate our money and credit system and the banks which control it.

"If the buying power of people does not keep pace with the producing power of industry, then industry produces a surplus of goods which it cannot sell and must cease production. This creates unemployment which serves to further curtail the buying power of people, narrows the market for industry, and curtails or destroys the opportunity for the investment of accumulated capital.

"The outstanding fact which must now be squarely faced by industry, finance and government alike is that all values within the Nation must now be measured by the size of our domestic market—literally by the buying power and consuming power our people have at home.

"For an indefinite period of time we shall be fortunate if we succeed in keeping our exports equal to our imports. This means that American industry can sell no more products than the American people can buy and consume. Unless American industry can profitably dispose of its products the value of industrial investments will decline and the capital structure built upon this development will tend to disappear.

Lewellys F. Barker

Lewellys F. Barker, M. D., Baltimore, remarked that "inflation is like alcoholism or drug addiction." He believes we

must rely chiefly upon (1) Reducing or deferring payment of the debts of farmers, railroads and other individuals and corporations in this country, by private negotiation as far as possible without confiscations or costly receiverships; (2) Stopping all unnecessary governmental expenditures; (3) Keeping Federal credit absolutely sound and unsailable; (4) Measures of governmental intervention (local, State and National) for the prevention of starvation and distress among the unemployed and for safeguarding the existence of vitally essential structures during any further period of liquidation, and (5) Measures for restoring and maintaining the confidence of our people until the necessary deflationary process has been completed.

Edward A. O'Neal

Edward A. O'Neal, president of the American Farm Bureau Federation, began by remarking:

"Two serious mistakes have been made. First, there was the failure to recognize the seriousness and the far-reaching character of the depression. Second, no adequate attempt was made to check the deflation.

"Agriculture has suffered more than most other groups from the inequitable distribution of income and deflation in commodity prices. When prices decline, distributive costs lag and an increasing proportion of the consumer's dollar is absorbed in distributive costs and a decreasing proportion is returned to the producer. Who can say that the wheat farmer receives a fair share of the consumer's dollar when he receives only 13 per cent of the retail price of bread and the cotton farmer when he receives only 2 to 5 per cent of the retail price of a cotton shirt?

"In order to rehabilitate agriculture and restore its purchasing power, a broad policy is required. (1) We urge the enactment of a surplus control bill making it applicable to at least five basic commodities—wheat, cotton, hogs, tobacco, and butter fat—coupled with production control. This should constitute permanent legislation instead of being thought of as temporary emergency legislation.

"(2) A second aid which we propose in the rehabilitation of agriculture is the adjustment of the tariffs to restore export markets for farm products and assure to agriculture the benefits of the domestic market to the same extent as enjoyed by industry.

"(3) We must reduce farm taxes and redistribute the tax burden more equitably. Immediate tax relief is imperative.

"(4) Agriculture must have more effective credit facilities. In addition to a long-time program of reorganization and consolidation of agricultural credit agencies under proper governmental regulation, there is an emergency situation which must be met immediately.

"(5) To restore confidence the banks must be made safe for depositors. To that end we favor the Steagall bill for the guarantee of bank deposits.

"(6) We must reduce the cost of transportation.

"(7) Cooperative marketing should be promoted, expanded and strengthened until farmers are given control of the marketing of their own products.

"(8) We propose the development of national planning in agriculture by bringing about closer cooperation between organized agriculture and all the governmental agencies set up to aid agriculture. Also, a new national land policy should be put into effect, a policy of conservation instead of expansion."

Mr. O'Neal goes on to say:

"The bitter-end deflationists tell us (1) to restore confidence; (2) balance the budget; (3) let nature take its

course. It is quite generally assumed that if we restore confidence, prices will rise. I insist that if we stabilize prices, confidence will be restored.

"We have never had a dollar that was not variable in value that was based on a fixed price for the metal on which it was based, and it is highly improbable that it ever will occur. At present we have a dollar that is rubber as to value and sound as to weight. The American farmer wants a dollar that is rubber as to weight but is stable in terms of debts, taxes, services and commodities which he buys and sells. He wants an honest dollar."

Col. L. P. Ayres

Colonel Leonard P. Ayres, well-known economist and financier of Cleveland, filed a telegram with the committee, reading in part: "I am among those who hold that it is of the first importance for the Congress to take convincing steps toward balancing the regular operating budget and that if this were done, funds could be secured through the sale of long-term bonds to meet the extraordinary depression relief expenses. Balancing of the operating budget would help restore public confidence and the history of all depressions in all countries shows that increasing public confidence is prerequisite to recovery. I am opposed to inflation or devaluation because I believe that all the projects proposed would fail to produce the beneficial results claimed by their proponents. I favor legislation to facilitate and expedite debt readjustment, for much writing down of debts appears inevitable. I favor measures designed to facilitate settlement of the war debts and measures to encourage international trade. I think Government can aid most effectively by supporting credit and removing barriers to business."

Julius W. Cone

Julius W. Cone, cotton authority of Greensboro, N. C., subscribes to the following: (1) Coming to an immediate understanding with our foreign debtors, with settlement to be on a practical, business basis; (2) Broad plan of constructive public works for relief of unemployment; (3) Inflation of the value of the dollar, or conversely deflation of the value of the debt; (4) Some action should be taken with regard to idle capital, meaning the hoarded money which is represented by tax-free securities—meaning tax-free securities held for no other purpose than to perpetuate great fortunes, escape taxes and avoid paying a fair proportion of income to the support of the Government that protects these very holdings; (5) revision of the Sherman Act to permit price fixing when it is done in the public interest; (6) reduction of taxes; (7) Reduction of veteran payments, eliminating all but those injured in the service and those who incurred illnesses and disabilities directly traced to active service; (8) Approval of a sales tax in order to provide necessary revenue; (9) Creation of an emergency economic council by the President of a non-partisan group of representatives of all important lines.

Ralph E. Flanders

Ralph E. Flanders, president of Jones & Lamson Machine Co. and of the National Machine Tool Builders' Association, and also chairman of the committee on economic balance of the American Engineering Council, said:

"Let me say, first, that as a protected manufacturer I can see no objection to one form of the domestic allotment plan for agriculture, which is applicable to wheat and cotton, which would set the allotment at some fraction well below the normal consumption, and thus remove do-

mestic wheat prices from the influence of world prices, and make the tariff effective. As a Republican and a manufacturer, I do not see that I could justly object to that particular form of the allotment.

"Now, those economical operations which should be undertaken at this time should not be financed by taxation, because taxation, again, tends to slow up the processes of business. It should be the normal thing to borrow in times of this sort, and it should be the normal thing to repay borrowing in times when taxing is good. That policy of taxing when taxing is good, building and constructing when construction is less expensive, carries with it a number of remedial features. In the first place, taxation for the retirement of bonds during an inflation tends to put a brake on inflation. Borrowing to do constructive work at the bottom of a deflation tends to put a brake on deflation. They are remedial measures for the extremes of the situation."

Mr. Flanders believes that because the morale of people engaged in industry and agriculture is now in a poor state, conditions can be materially bettered by the passage of a law giving Congress the right to determine hours of labor on goods that pass in interstate commerce and are used in interstate commerce, in order to obtain leisure for the advances of mechanization in industry, and at the same time spread employment on a more equitable basis, also he favors a subsistence wage payable out of an income tax in distinction to industrial employment insurance.

W. R. Hearst

William Randolph Hearst filed his ideas with the Committee in letter form. He cited as the principal cause of the depression: (1) Speculative fever on the part of the public; (2) Over-expansion and over-capitalization on the part of industry; (3) Promotion of securities more or less obviously worthless. As he sees it, the effort to capitalize prosperity at its face value failed to recognize the fact that periods of high prosperity are not permanent and are generally followed by periods of depression. Reduced earnings force a squeezing out of capitalization with consequent loss to the public and consequent slowing up of public buying power which backs up in the retail shops and in the factories, thereby creating a vicious circle, each revolution of which adds to the severity of the depression.

Mr. Hearst believes that the essential question in the cure of the depression lies in overcoming this tendency downward and the employment of methods calculated to restore purchasing power of the community and to make people not only able but willing to spend money. As he visualizes matters, the remedies lie in the following directions: (1) Exceptional governmental expenditure on public works during periods of depression to give direct employment to millions of unemployed and simultaneously to increase purchasing power. (The five billion-dollar prosperity loan for public works advocated by the Hearst newspapers illustrates his idea in this connection); (2) Reduction of taxes in periods of depression. (If taxes cannot be decreased, at least, they should not be increased); (3) substitution of the inequitable, injurious, undemocratic and un-American income tax for a sales tax whereby a citizen pays in proportion to what he buys; (4) reflation by the issue of government bonds to finance a relief program through public works on the basis that while reflation is dangerous in good times, when the community is in a period of over-capitalization, over-expansion and over-speculation, that because of the enormous use of bank deposit credit, it is vital to increase the circulating medium through reflation in order now to stem the tide of uncontrolled deflation. Such a process, Mr. Hearst holds,

is in no sense dangerous but on the contrary is natural, salutary and indeed necessary to the restoration of prosperity.

He sums up by saying: "I think the main cures for depression and stimuli to the return of prosperity are liberal Government expenditure in construction, reduced or at least restrained taxation, and reasonable reflation."

Among the other measures proposed by Mr. Hearst are: (1) Prevention of an invasion of the American market by cheap foreign products coming in from countries with depreciated currencies. (In this connection he calls attention to the quota method adopted by France); (2) The Government should finance the farmer at a low rate of interest and insure him in the possession of his farm over a sufficient stretch of years to nullify the destructive effects of periodic unfavorable climatic and economic conditions. Simultaneously the Government should have some further function with respect to the regulation of the transportation and the sale and distribution of crops in order to protect its own investment and insure the objective of its paternalism; (3) Reduced cost of transportation coupled with Government ownership of the railroads.

Henry J. Haskell

Henry J. Haskell, editor of the *Kansas City Star*, said he represented the viewpoint of a Westerner. He said, in part: "On the 1929 level are taxes, and, to a considerable extent, debts, interest, railroad rates, wages in some of the key industries like the railroad industry and the construction industries. Down at the low point are the farm prices and commodity prices generally.

"The farm industry itself suffers internally from this maladjustment. Its prices are on the distress level, and its overhead, including chiefly taxes and interest—and railroad rates—are still nearly of the 1929 level.

"How important this is I can tell you from the figures from the Department of Agriculture that before the war taxes and interest absorbed about one-twelfth of the farm income. Now they absorb about one-fifth of the farm income, so that there is very little left after the farmer has been able to make his payments. He may be able to get by by living on his land, but there is very little left over for him to buy the products which he needs and which would afford relief to the country."

He had no plan to propose on the general mortgage situation because he believes that farmers in the future will want credit and that arbitrary scaling down on a universal basis is therefore inadvisable. He feels that the farmers are vastly more in favor of mortgage changes, reduced taxes and interest reduction than they are in a farm allotment plan. He feels the farmers are sour on any continuation of the Farm Board as well as on all price-fixing schemes. He does not favor inflation as a means of boosting prices and considers that the psychology of the farmer is such that he can not be persuaded to reduce his acreage by giving him a bonus on production. He also is opposed to a rental of marginal land. His remedy for price recovery is (1) Abandoning uncertainty and fear; (2) Approximately balancing our budget and ending the fear of inflation; (3) Cutting international debts; (4) Settling and stabilizing currencies. He is opposed to the Buy American campaign because he believes it hurts our farmers in selling their products abroad. He believes in reciprocal tariff reductions, and the use of war debts as a leverage to arrive at satisfactory results from the standpoint of our farmers.

D. M. Keezer

Dexter M. Keezer, economist and associate editor of the *Baltimore Sun*, attributes the depression to (1) Great dislocations in the price structure, and (2) A consuming state of financial fear. He said at one point: "There are some custodians of financial institutions who seem to divide their time between preparing pleas for fierce retrenchment to protect the Federal credit, and wringing their hands while waiting for representatives of the Reconstruction Finance Corporation to arrive and make another draft upon that credit for their particular benefit. This hardly contributes to a useful public understanding of the complicated position of the Federal Government in dealing with the depression."

While he does not believe a rigid balancing the budget is necessary, he does believe important progress should be made in this direction to the end that the Government may be in shape for large ventures in economic enterprise which may become necessary in the effort to lift the depression, and thinks that in the minds of many such a demonstration of economy in Government comes down primarily to reducing the expenditures in behalf of war veterans. He believes some provision should be made in some completely convincing way for the adequate feeding of the unemployed and their families and considers this essential to restoration of confidence. He is opposed to inflation less because of its price raising possibilities than because of its effects on wage workers. He does not favor a domestic allotment plan and feels considerable can be done with the anti-trust laws to attain "strict and impartial enforcement of the anti-trust laws to prevent monopoly and unfair trade practices," and feels that deflation of some prices could be accomplished by this means. He also favors lowering of the tariff on products which have yielded relatively little in the downward movement of prices as a desirable method of getting the price system into gear again. To the same end he favors a long postponement of war debts, if not outright cancellations.

The following comment is also indicative of his viewpoint:

"As matters now stand we have permitted concentrations of economic power which far surpass the capacity to manage them effectively. And, for all we know, they far surpass the limits of economic efficiency under the most effective management which is their only possible justification. That competition, the traditional regulator of private profit-seeking in the public interest, is only a partial check upon such enterprises is obvious. And that we do not begin to understand how to regulate them effectively through public commissions is equally obvious from the recent course of regulation of the electric power industry, which permitted speculation in its excess profits, both earned and hoped for, to contribute substantially to the depth of the present depression.

J. J. Pelley

J. J. Pelley, president of the New York, New Haven & Hartford Railroad, said he did not want to talk about what caused the depression and that on legislative remedies he wished to confine himself entirely to his own business, transportation, which constitutes approximately one-sixth of the total industry of the United States. Under this heading he proposed (1) Enactment of the Hastings Bill, which is an amendment to the bankruptcy law; (2) Modification of the anti-trust laws so as to permit of a reduction, probably to the minimum, of competitive waste on railroads; (3) Legislation covering interstate highway transportation; (4) Passage of a bill which takes the

Government out of the Mississippi-Warrior River barge service, which it operates at a loss, and out of similar operations; (5) Regulation of water transportation along the lines of House Resolution 11497, together with certain amendments proposed by Mr. Pelley; (6) Repeal of the recapture provision of the Transportation Act.

P. W. Litchfield

P. W. Litchfield, president of the Goodyear Tire & Rubber Company, attributes the depression to a variety of things all coming under the embracing title of extravagance, aggravated by evils of surplus. He considers the most vital problem that of the labor surplus. Among the remedies he proposes are (1) Shorter working periods to spread work among a greater number of employes; (2) Temporary subsidy to take care of farm surpluses, which includes provision for bringing agricultural production into line with our needs; (3) Continuation of sound currency without inflation, which also does not conflict with reasonable expansion of credit controlled along the lines now followed by the Reconstruction Finance Corporation; (4) Reduction of taxes and sweeping elimination of all but the primary and essential activities of Government; (5) A general manufacturers' sales tax; (6) Reasonable downward adjustment of intergovernmental debts and in making such concessions we should endeavor to improve our status in the matter of export trade and also promote the cause of international disarmament; (7) Encouragement by the Government of new industries which promise to improve the lot of mankind; (8) Revision of the Sherman and similar Acts, not to sacrifice the public's right to governmental protection against extortionate price-fixing, but to permit a successful solution of the problem of destructive price-cutting; (9) Increased presidential power.

Frank H. Simonds

Frank H. Simonds, international journalist, regards the war debts as the matter of primary moment. He believes in the removal of the debt problem either by cancellation or by possible collection, but makes it clear that he considers collection not only next to impossible but inadvisable because of the adverse effects it will have upon American labor. He does not deny that cancellation of the debts will transfer the load to the American taxpayer, but thinks this is preferable to transferring the load to American labor, which, as he sees it, is what will happen if the debts are not canceled.

James F. Bell

James F. Bell, of Minneapolis, Minn., said: "We can not escape the fact that the average general property tax in the United States is now the sum of \$32 per capita as compared with \$9 in 1902; whereas the commodity price level is about as low as that of 1902 and individual income and earning prospects are reduced to a present-day minimum.

"The soundness of our currency is of paramount importance. Sound money is the basis of the confidence which permits the wheels of industry and enterprise to function, and is also the basis of our social reactions. Destroy belief in the soundness of our money and you strike terror into the hearts of all and bring panic and paralysis.

"My observations lead me to suggest concentration of legislative effort upon a limited program of fundamentals aimed to restore public confidence. They embody:

"(1) World economic disarmament, to the end that international trade may be restored with the normal exchange of goods in the open markets of the world. (2). Balancing of the national budget and international account on a basis that is not destructive to enterprise and individual initiative. (3) The maintenance of a sound currency on the gold standard. (4) A sound banking system. (5) A comprehensive agricultural program to meet both temporary emergencies and permanent situations. (6) The removal of unwholesome restraints upon industry through adaptations of the Sherman-Clayton Act in conformity with existing needs and conditions, and rationalization of industry under proper safeguards, with relief to labor from the increasing burdens which the present laws impose."

J. David Stern

J. David Stern, editor and publisher of the Philadelphia Record, said in part:

"The present economic crisis is as dangerous as any war-time crisis. It is causing more human misery than did the World War. Therefore, our Government is justified in resorting to war-time measures. We did not talk of balancing the budget during the World War. We spent \$45,000,000,000 in three years and went in debt \$26,000,000,000. We were prepared to spend double and treble that amount if needed to win. This nation must fight depression with the same spirit and high purpose that made it victorious in every war.

"It is as wicked and silly for us to talk about balancing the budget in such a crisis as for the head of a family to talk about budgeting his household expenses when his wife and children are in dire need of medical attention. Balancing the budget is a bookkeeper's phrase. This nation can not afford to be ruled by bookkeepers.

"The national Government is a parasite upon national business. It is in the position of a commission merchant who prospers as his principals prosper. A commission merchant cannot make business better for himself by raising his commission rate when business is on the decline. No more can the Government make itself whole by raising its taxes or commission on business when the general business of the Nation is on the decline. Any attempt to balance the budget by raising taxes during a period of extreme deflation is the worst possible policy that the nation can pursue to aggravate its misery. It is like giving whiskey to a victim of sunstroke.

"I have advocated a gold embargo for a year and a half so that the Government should be free to issue major credits to arrest the ever-increasing momentum of a self-accelerating deflation. If this deflation be allowed to continue to its ultimate conclusion, it must inevitably result in the wiping out of all credit, so that nothing will be left as a medium of exchange but actual cash currency. This would mean that the dollar would be worth twenty times as much as it was in 1926; the nickel of 1933 would equal a normal dollar. Before you had arrived at that point, if you allow this deflation to continue, you would have destroyed every financial institution in the country, insurance companies and banks, wiped out every debt, mortgages on homes and railroad bonds. That will be the result of following Wall Street's advice to let deflation take its course.

"In normal times we have more than \$55,000,000,000 of bank deposits and less than five billion of currency in circulation. What is more important, the velocity of these bank deposits or bank clearings reached the astounding total in 1929 of \$720,000,000,000. It is this figure which regulates the value of the dollar—the velocity of bank deposits.

"The amount of currency in circulation, or the amount of gold behind it, has little or no bearing on the value of the dollar. Strange as it may seem, the more prosperous the country the less currency in circulation, because more persons have bank accounts, use checks for trivial household transactions, and there is little or no hoarding. Instead of gold regulating the value of the dollar, the quantity and velocity of credit regulates the value of gold. It is necessary to recognize these facts to appreciate that the present deflation is self-accelerating.

"But for the last few years the process has been one-sided. Old loans are being paid off, but very few, if any, new loans are being made, with the result that the quantity of bank deposits has dropped to \$40,000,000,000, and the velocity of these credit dollars has dropped to less than \$300,000,000,000 per annum. The less credit dollars and the slower they move, the higher the value of the dollar. The higher the value of the dollar, the lower the dollar value of the collateral against which the bank has issued credit. As the dollar value of collateral goes down, banks are compelled to reduce their loans against collateral and thereby further enhance the dollar, and further depress the collateral. Thus deflation is a self-accelerating process which can have no other outcome than the complete destruction of our entire credit structure."

Specifically, Mr. Stern recommends: (1) Immediate gold embargo; (2) Place the Government in a position to issue such credit as is necessary to win the fight against the depression (a) by distributing purchasing power among consumers; (b) by reducing the swollen value of the dollar to its commodity index value of 1926, or the average for the years 1921 to 1929, inclusive. Among the possibilities which he enumerates for distributing purchasing power among consumers are (1) Advance by the Government of 50 per cent of the face value of certificates of deposits in closed banks on their assignment to the Government or its agent; (2) Government construction and advance to municipalities for slum rehabilitation; (3) Advance of 50 per cent on the nine billion dollars of farm mortgages; (4) Amendment of the home loan bank bill so that the loans can be made directly and immediately instead of surrounding the process with the red tape which now encumbers it; (5) Enlargement of unemployment relief.

W. Mont Ferry

W. Mont Ferry, vice-president and managing director of the Silver King Coalition Mines Co., Salt Lake City, pointed out: "The average price of silver for 1932 was 27.9 cents per ounce, which is 42.6 per cent of the average price of the white metal for the last twenty-five years. The average price of copper for 1932 was 5.6 cents per pound, which is 35.9 per cent of the average price of copper for the past twenty-five years. The average price of lead for 1932 was 3.2 cents per pound, which is 53.9 per cent of the average price of lead for the past twenty-five years. The average price of zinc for 1932 was 2.9 cents per pound, which is 43.4 per cent of the average price of zinc for the past twenty-five years. The composite average price for 1932 of the four metals named was only 43.95 per cent of the average price of those metals for the past twenty-five years.

"The disastrous effect of the low commodity price level has made itself manifest throughout our land. The discrepancy between the comparative value of the American dollar, on the one hand, and the value of things and human service, on the other, has brought stagnation to all forms of productive endeavor. Furthermore, it has paralyzed the initiative of producers and is destroying hope and confi-

dence in the minds of men. The vast debt and credit structure which has been built up in this country, especially since the war period, is in grave danger of complete collapse. Debtors, of course, must meet their obligations by exchanging the things they produce for the dollars necessary to meet interest and principal. It is obvious that unless the growing discrepancy between dollars and things is corrected and stabilized at a point of reasonable equity between creditor and debtor, general bankruptcy and repudiation must result. This situation which now exists throughout our country affects not only individual and corporate debtors and creditors, but also affects municipal, State and National financial affairs. The unemployment, the dependence and the despair affecting not less than 25 per cent of our population present a condition which is of the utmost importance if our institutions are to stand. The immediate relief for acute distress which is being so generously and properly furnished from National, State and other public sources is primarily extended from tax money. Now, sources of taxation are drying up, and it is becoming more and more difficult to meet the increasing demand for relief.

"When we realize that these conditions are not confined to our own country, but are in varying degrees of intensity apparent throughout the world, we must look for a world cause and a world remedy. It is the considered opinion of competent authority that there has been a break-down in the money structure which has disarranged credits and exchange, and has destroyed confidence.

"The best opinion of government and business in our own country is against inflation. Too often the word is misused and misunderstood. Fiat money and the unrestrained activities of the printing press are not indicated or suggested by what I say. Nor do I at this time ask you to consider the merits of bimetalism. I do most earnestly urge upon you to favorably consider the sound and simple plan of strengthening and stabilizing the gold standard by adding silver to the metallic base. Such a plan is not inflation."

M. S. Eccles

M. S. Eccles, president of the First Security Corporation, of Ogden, Utah, and several other companies, believes our principal trouble lies in a breakdown of our present economic system, due to the failure of our political and financial leadership intelligently to deal with the money problem. He feels the problem now is primarily one of increasing purchasing power on the part of all the people, resulting in an immediate and increasing volume in all lines of business with consequent diminution of unemployment and distress and gradual restoration of our national income.

The following quotes are of interest in understanding his viewpoint: "Money has no utility or economic value except to serve as a medium of exchange. Inflation and deflation are expressed in the increased and decreased purchasing power of money, which we speak of as a cheap dollar or a dear dollar according to what it will buy. At present our dollar is too valuable measured in terms of goods and services, or, conversely, goods and services are too cheap measured in dollars. Were it not for our debt structure the fluctuating and unstable dollar would not raise such havoc with our economic system. Our debt and credit structure is the very foundation of our capitalistic society and our unstable dollar results in a large measure from the uncontrolled operation of this system.

"The Government controls the gold reserve, the power to issue money and credit, thus largely regulating the price structure. Through its power of taxation it can control

the accumulation and distribution of wealth production. It can mobilize the resources of the nation for the benefit of its people.

"Why was it that during the war, when there was no depression, we did not insist upon balancing the budget by sufficient taxation of our surplus income instead of using Government credit to the extent of \$27,000,000,000? Why was it that we heard nothing of the necessity of balancing the Federal Budget in order to maintain the Government credit when we had a deficit of \$9,000,000,000 in 1918 and \$13,000,000,000 in 1919? Why was it that there was no unemployment at that time and an insufficient amount of money as a medium of exchange? How was it that with one billion less gold than we now have we were not concerned about our gold standard?

"How was it that during the period of prosperity after the war we were able, in spite of what is termed our extravagance—which was not extravagance at all; we saved too much and consumed too little—how was it that we were able to balance a \$4,000,000,000 annual budget, to pay off ten billions of the Government debt, to make four major reductions in our income tax rate (otherwise all of the Government debt would have been paid), to extend \$10,000,000,000 credit to foreign countries represented by our surplus production which we shipped abroad, and add approximately \$100,000,000,000 by capital accumulation to our national wealth, represented by plants, equipment, buildings and construction of all kinds? In the light of this record, is it consistent for our political and financial leadership to demand at this time a balanced budget by the inauguration of a general sales tax, further reducing the buying power of our people? Is it necessary to conserve Government credit to the point of providing a starvation existence for millions of our people in a land of superabundance? Is the universal demand for Government economy consistent at this time? Is the present lack of confidence due to an unbalanced budget?

"What the public and the business men of this country are interested in is a revival of employment and purchasing power. This would automatically restore confidence and increase profits to a point where the budget would automatically be balanced in just the same manner as the individual, corporation, State and city budget would be balanced."

He proposes action along the following lines: (1) Make available as gift to the States on a per capita basis \$500,000,000 to be used during the balance of this year in assisting adequately to take care of the destitute and unemployed, pending a revival in business which should result from the following program; (2) Increase the amount of Government funds to two and a half billion dollars, and more if necessary, for self-liquidating projects and loans to cities, counties and States for public works on a liberal basis at a low rate of interest; (3) The adoption of the domestic allotment plan, or a similar plan, designed to regulate farm production and raise prices; (4) Refinancing farm mortgages on a long-term basis at a low rate of interest; (5) A permanent settlement of the interallied debts on a sound economic basis, cancellation being preferable.

J. M. Daiger

As alternative to the proposed self-liquidating public works program, Mr. Eccles offered for consideration, but without recommendation, the suggestion of Mr. J. M. Daiger, appearing in the February issue of *Harper's Magazine*, under the title of "Confidence, Credit and Cash," which suggestion is set forth in the following extracted therefrom:

"We should be prepared to pay a political price for

prompt action in order to restore cash, credit and confidence in our banks. The suggestion is that we offer an inducement that banking politics could not successfully resist; namely, that the Federal Government pay the 'trifling price of all the bank failures, State and National, of this last thirteen-year epidemic—pay to the depositors of the chartered banks that failed the net amount of the deposits they lost, and thus restore this money to active circulation. The total amount of deposits involved in the failures was approximately \$5,000,000,000. The recovery by depositors has been, or will be, probably half this sum. Most of this they have already received, either through the receivers of the closed banks, or through advances from other banks, or more recently through the Reconstruction Finance Corporation. We should require, then, a bond issue of approximately two and a half billion dollars to cover the net losses."

Lawrence Dennis

Lawrence Dennis, financial writer of New York, presented what might be termed a philosophy of viewpoint. The following extracts from his statement will give a fair conception of his ideas: "I am inclined to take the view that it is extremely probable that this depression may be a phase of transition from the present system of private ownership, private initiative and a free market, to some form of economic organization which we can not foretell.

"The assumption of spontaneous revival through new investment has always rested on the fallacious postulate that people and banks will not indefinitely hoard money. The postulate is historically and theoretically untrue. Rich princes and merchants in the East and Europe have for thousands of years done just what the classical economists have said could not go on indefinitely. They have hoarded gold, silver and other forms of wealth, usually obtained from wars and looting. They did not seek the Calvinistic or kosher 6 per cent in investment for the good reason that investments of this type were not to be found in considerable quantity in times of no industrial expansion. What has happened for centuries is happening today everywhere. We are getting back to a course of conduct, in respect of wealth, normal for thousands of years.

"The fact is that there is no rule for determining whether money is going to be sound or unsound. The soundness of money or of credit depends upon the total production and consumption and the state of trade that follows. You can not fix those conditions when you create money.

"We have in this country today about 12,000,000 unemployed, let us say. It is necessary to create enough additional consumption to provide work for these people. Suppose it is necessary to create \$15,000,000,000 of additional consumption to provide work for these people. You will remember that only about 70 per cent of the amount spent will be applied to wages alone. Thirty per cent will go in remuneration of property owners in interest and profits.

"I think the largest field for investment there is in housing—housing for the poor; slum clearance. You will say right away, 'There are plenty of houses.' That is true—there are plenty of houses and plenty of housing for people who have the price; but the housing scheme that the country needs is one which will not compete with existing houses, but a housing scheme which will clear large areas of houses now occupied and build in their place better houses which will accommodate fewer people, but give them better quarters, and, at the same time, for prices which they are now paying; the cost of that to be borne by the State.

"The bondholders and conservative people, it seems to me, in this crisis, are making a great mistake in denouncing what they call inflation, which is but another word for increased activity. I do not call myself an inflationist any more than I think George Washington would call himself an inflationist, or Woodrow Wilson or Abraham Lincoln would call themselves inflationists. The Revolutionary War was fought with inflation; the Civil War was fought with inflation, and the World War was fought with inflation; but none of the leaders of the people who were responsible for those wars were inflationists as such. What is called inflation is merely the means of meeting a situation; and it is my argument that unless production is increased by the action of the State the credit values of the country will be worthless.

"The thought that I want to leave in connection with this general thesis is that our credit values and our property rights are only worth as much as our production; and any person who argues against increased spending on the ground that he is protecting his property or his credit is really deceiving himself unless he can show how his course of action is going to lead to increased production."

W. W. Atterbury

W. W. Atterbury, president of the Pennsylvania Railroad, summarizes as follows: (1) Governmental expenditures should be reduced—national, state and municipal—to the end of really balancing their budgets; (2) Income taxes should be reduced and an ultimate sales tax applied to everyone; (3) Capital gains tax should be wiped out; (4) Intergovernmental debts should be handled in a practical manner and on the basis that we desire to resume business relations with a valuable customer; (5) Settlement should not be uniform and should not be bound up with disarmament; (6) Tariffs are an important phase in such settlements; (7) Anti-trust laws should be modified to prevent that type of competition which is proving industries' own destruction through sale of commodities below their costs of production; (8) There should be a minimum of regulatory interference with the management of railroads and the same form of regulation should be applied to all other forms of transportation.

Dr. Glenn Frank

Dr. Glenn Frank, president of the University of Wisconsin, recommends avoiding the advice of the dogmatic business man and the dogmatic economist and holds that we shall find solution of our difficulties only through leadership in which theory and practice have come to fruitful union. He says we must not be afraid of intelligently formulated emergency politics and emergency economies, and contends that, broadly considered, national economic recovery involves these three intimately interlocked problems: (1) The financial problem of credit and currency; (2) The psychological problem of confidence, and (3) The economic problem of effective enterprise. He feels that the financial system must (a) Be quantitatively adequate, (b) Technically sensitive, and (c) Socially responsible. In connection with these suggestions he says:

"Respecting the second and third essentials of a stable credit and currency system, I shall say only this: We could, in my judgment, greatly increase both the technical sensitivity and the social responsibility of our credit and currency system by placing all banking institutions in the United States under legal compulsion to join the Federal Reserve system. In this, as in so many other matters, if

we want to escape chaos, we must function responsibly as a Nation, not as an irresponsible congeries of communities."

In connection with relief, Dr. Frank says: "About the only ways in which fresh supplies of currency can be got into the hands of the unemployed or of those whose purchasing power has drastically declined, are through doles, direct loans and public works. I do not believe that the Federal Government has yet faced fully its responsibility for relief to the unemployed. I think there is room for a statesmanlike reconsideration of the leading program of the Federal Government that will point this lending program less in the direction of subsidizing obsolete organization and incompetent management and more in the direction of priming the pump of productive enterprise. And I am convinced that a wisely planned and properly financed program of public works has a very real role to play in national recovery."

In connection with the tariff, he makes the point that the tariff policy is one sort of problem for a debtor nation and quite another sort of problem for a creditor nation, and goes on to say that the United States as the largest industrial nation in the world holds the key to the rationalization of the tariff and trade relations of the world. He suggests that we must either play for a reopening of world markets, for American agricultural products, or scale our whole system of farming down to a domestic basis, which latter policy he considers a counsel of despair.

At another point he makes this significant comment: "We have no right, gentlemen, to consider slowing down production until we have fully explored the possibilities of speeding up consumption. Until legitimate human need is served and saturated, a wholesale restriction of production is a confession that our capacity for economic statesmanship has gone bankrupt. What will be the judgment of the future upon our genius if, after elaborating a machine economy capable of putting an end to drudgery, poverty and insecurity, we say, 'Now that we have sharpened this tool, we must dull its edge; now that we have perfected this swift efficiency, we must throw on the brakes.'"

Matthew Woll

Matthew Woll, vice-president of the American Federation of Labor, before making recommendations, presented an interesting review of economic and political history as it has affected labor, in the course of which he remarked:

"At the present time, we are finding it impossible to keep the expenses of railroads, industrial corporations, governmental agencies and untold millions of individuals within their incomes. Besides governmental units, railroads and banks, there are at least ten to fifteen million unbalanced budgets of unemployed individuals. These budgets will, of course, always be balanced. We cannot let them starve and we cannot shoot them. Therefore, they are cared for either at public or private expense. Private charity, however, is not sufficient. The only method is public relief and the Federal Treasury will bear an ever-increasing share of this inescapable burden.

"Study of production of both that of agricultural and non-agricultural commodities indicates that there has been no great overproduction. From 1839 to 1914 the physical output per capita in the United States increased 1.73 per cent per year. During that period there was no excessive increase in output that might be cited as overproduction. From 1915 to 1929 the rate of increase in total physical output per capita fell to 0.64 per cent per year. From 1929 to 1932 production per capita in the United States

declined 31 per cent. How can there be an overproduction with 12,000,000 unemployed and our per capita production reduced 31 per cent?

"It does seem, however, that the experience of the past three years indicates that the present monetary system gives us no assurance of a stable measure of value. An unstable price level has been the arbiter of our destiny. I think it is about time that we find some way to manage the price level instead of permitting the price level to manage us.

"There are now 33 countries off the gold standard and they are managing their currencies by permitting the price of gold to vary; and in no important case is there wild inflation. In fact, the only case of wild inflation until the currency was worthless in a first-class modern nation occurred during revolution—French Revolution, American Revolution, Russian Revolution, German Revolution.

"Inherently related to this problem of enlarging consuming power, by means of a fairer and ever larger distribution of surplus, of industry through higher wages, is the shortening of the working week and working hours.

"There should be some Federal agency charged to collect basic information on man-hours, length of work-weeks, productivity, employment opportunities, wage earners' incomes and so forth, as a necessary device to facilitate any program of coordinated economic development. There is today in this country no adequate system of employment exchange. There is a dearth of statistics on actual hours worked, on the income of the American wage earners, on displacement, and a whole host of matters that are of vital concern in achieving economic balances. Labor believes that some such Federal agency is necessary to collect and collate such data as an indispensable part of our program.

"Labor observes the fact that there are in this country less than one hundred financial corporations that control 50 per cent of the total corporate wealth of the country and indirectly control the credit and investment policies of the country. The labor outlook is clear and definite that power carries with it great social responsibility; that it will not be possible nor wise to trust to so small a group the dominion of so large a group of their fellow-citizens.

"Industry is being charged more and more with a public trust and is being viewed less and less as an institution for the enrichment of a few and the impoverishment of many. Industry must, therefore, assume greater and greater social responsibilities and meet the changing order and conditions with a new economic outlook and with an entirely new attitude."

Union League

The Union League Club of Brooklyn, N. Y., adopted a program based upon the following points: (1) Retaining of capitalism, so-called; (2) Settling foreign debts decisively and at once; (3) No inflation by printing money or paring the dollar; (4) No bonus to farmers; (5) Control of agricultural acreage and crops; (6) Embargo to prevent dumping from foreign countries; (7) Private capital encouraged to create self-sustaining enterprises; (8) Interest should be cut down by direct law and by taxation upon earnings of existing contracts; (9) Government should stimulate enterprises which are self-liquidating; (10) The budget should be balanced.

Dr. Nicholas M. Butler

Dr. Nicholas Murray Butler, world-wide authority and president of Columbia University, attributes the depression to: (1) Colossal destruction of world savings by world

war; (2) Destruction of international trade; (3) Artificial stimulus to production caused by World War; (4) Overproduction of industry through advance of mechanization; (5) Strain imposed upon international credit and exchange through concentration of gold in a few centers; (6) Excessive increase in the cost of government, and (7) Destruction of public confidence in our economic and financial systems and even in democratic government.

The remedies, as Dr. Butler sees them, lie in: (1) Balancing all budgets, Federal, State, county and local, primarily through (a) reduction in governmental expenditures; (b) simplification of governmental functions; (c) creation of Department of National Defense (replacing War and Navy Departments), and (d) reduction of payments to veterans; (2) Retaining the foundations of our present monetary system, with avoidance of inflation, but with revision and strengthening of our banking system; (3) Revision of our tax system to eliminate the present overlapping between Federal, State and other taxes; (4) Settlement of inter-governmental war debts in the form and spirit arranged by our former allies and the German Government at Lausanne; (5) Exerting by the United States of its full influence at the forthcoming Economic Conference; (6) Use by the United States of its influence to attain genuine disarmament as distinguished from shifts in type of armament; (7) Cooperation through our Federal Reserve Bank with the Bank for International Settlements; (8) Ratification of the Protocol of Accession of the United States to the permanent Court of International Justice; (9) Vigorous effort on the part of the United States, through cooperation with the League of Nations, to counteract the reactionary tendencies which have now set in since the Conference on the Limitation of Armament held at Washington in 1921-22; (10) Changing the "Buy American" idea to "Sell American"; (11) Transferring to the Administrative Branch a lot of the details of government which now take up the time of the Legislative Branch; (12) Supervision by government, either Federal or State, of corporations representing huge aggregations of capital which, while managed by a few, are owned on a widely distributed basis; (13) Development of a scientific system for contributory insurance against the risks of unemployment and depending old age.

Alfred E. Smith

Alfred E. Smith, former Governor of New York, appearing before a Senate Committee, recommended: (1) a reconstruction bond issue (no definite amount stated) with the funds to be devoted largely to national highway construction, where 60 per cent of the cost goes to labor and 40 per cent to materials, (2) relaxation of the R. F. C. rules on self-liquidating projects so that states could build needed buildings, (3) reduction of R. F. C. interest from 5 to 4 per cent, (4) mandatory consolidation of railroads into complete transportation systems which would operate not only railroads but other systems, including barges, airships, buses, trucks, etc., (5) repeal of publicity on R. F. C. loans to banks, (6) a five-year extension of the moratorium on war debts, and preferential treatment in a final debt settlement to debtor nations who make the largest purchases from us, (7) recognition of Russia, (8) scaling down of veterans' payments, especially where injuries have been received in peace-time pursuits, (9) a moderate manufacturer's sales tax on all commodities except necessities as food and clothing. He urged Congress to "cut out the red tape" and give broader powers to one man, the President, because governments ruled by commissions and bureaus take twice as long to get things done as do private concerns or individuals.

Hon. Herbert Hoover

Ex-President Herbert Hoover, in his message of December 7, 1931, to Congress, proposed the following measures:

(1) Revival of the Debts Commission; (2) Drastic reduction of government expenses and a temporary increase in taxes in order to balance the budget; (3) Subscribing of further capital by the Federal Treasury to the Federal Land banks to stabilize farm bonds and secure capital for farmers at low interest rates; (4) Establishment of a system of home-loan-discount banks to help home owners save their homes from foreclosure; (5) Liberalization of the eligibility provisions of the Federal Reserve Act to increase the Federal Reserve system's usefulness to the business life of the country and to counteract hoarding; (6) Prompt and drastic improvement in the banking laws to separate the different kinds of banking and thereby break up the pernicious freezing of commercial credit; (7) Reform of railroad regulation to eliminate wasteful competition and duplicate service and restore earnings, and thereby the worth of railroad securities; (8) Reorganization of the Departments of the Federal government to eliminate overlapping and waste; (9) Creation of a public works administration; (10) Rejection of all proposals leading directly or indirectly to government dole; (11) Rejection of all extensions to veterans' relief until the depression ends.

Former President Hoover in a surprise message to Congress on February 20, 1933, called for (1) adoption of bankruptcy reform legislation, (2) adoption by the House of the Glass Banking Reform bill, (3) repeal of publicity on R. F. C. loans, (4) ratification of the Great Lakes-St. Lawrence Seaway treaty, (5) early extension of the Home Loan Discount Banks into a general mortgage discount system. He criticized the proposed domestic allotment plan for farm relief as wholly unworkable, but offered no definite substitute.

Business Paper Editors

Back in October, 1931, a special Committee of Business Paper Editors (of which the author was a member) was assigned the task of determining "The Objectives for 1932." Because of the date on which their program was drafted, its suggestions are particularly significant. They were as follows:

(1) American Business and industry has long been characterized by freedom of individual action. If we are to preserve this private initiative within reasonable bounds and with full regard for the public interest we must accept, as a corollary to our individualism, the principle of cooperative action.

(2) There should be more equitable distribution of employment. This can be effected by (a) shorter working hours per individual per day, (b) shorter working weeks, (c) rotation of employment to provide work for a maximum number; but as here proposed does not involve a simultaneous increase in rate of pay per hour, per day or per week. This practice should be extended into those industries which have not yet taken it up and should include public utilities, railroads and all departments of the Federal, state, county, municipal and township governments.

(3) Employment should be accepted as the only real solution for unemployment.

(4) It is a universal responsibility to see that abuses do not grow out of wage reduction policies.

(5) Great stress should be laid upon the principles that national prosperity and the standard of living depend upon the average per capita production and not on the rate of pay as measured in dollars.

(6) Economically sound unemployment insurance plans should be undertaken through the voluntary cooperation of employers and employees.

(7) The abuses in short selling and long buying as they have been practised on the New York Stock Exchange and other stock and commodity exchanges should be prohibited.

(8) Prompt relief should be supplied in the home mortgage field. A financial plan should be immediately devised for rediscounting real estate assets of a less liquid character and for establishing a broader market for real estate mortgages and similar securities. This plan should be designed to result in lower interest rates, elimination of excessive financing fees and greater liquidability.

(9) Commercial banks should not be permitted to engage in the security underwriting and selling business, nor should they be permitted to circumvent this restriction by the device of using affiliates.

(10) American bankers should loan more money to deserving domestic business and should engage in foreign financing only for those purposes which directly increase the purchasing power of the foreign countries involved.

(11) The Federal Reserve should immediately and deliberately foster a program of carefully controlled inflation. When we had excessive inflation, we needed deflation as a cure. Now that we have excessive deflation we need, must get and will get by one means or another, inflation as the cure. Inflation is certain to start an upward movement in commodity prices, security prices and real estate values—in other words, a general upward movement in prices and capital values as measured in dollars. The public and business psychology will promptly become optimistic and courageous, once the excessive price deflation gives way to gradual inflation. When we again arrive at the other end of the cycle, in fact as we approach it, the Federal Reserve should then apply the brakes on inflation in order to beget a sound degree of deflation.

(12) There should be serious and immediate consideration of our monetary standard and reserve ratios. It is obvious that business volume has outgrown the world's supply of gold and the reserve ratios applied to the existing supply of gold. The United States should adopt a more flexible base which permits the credit structure properly to keep pace with increases in the total volume of business.

(13) American banking methods must be revised to produce more effective stabilizing of the credit mechanism. In order to make possible more effective application of Federal Reserve policies in controlling the expansion and contraction of the volume of credit in relation to the growth of the volume of business, prompt steps should be taken by Congress to strengthen the banking structure by appropriate amendments to the Federal Reserve Act and the national banking laws. The purpose of the amendments should be: (a) to extend the scope of membership in the Federal Reserve system so as to make its facilities more widely available, (b) to increase the uniformity and effectiveness of bank examinations so as to provide greater protection for depositors, (c) to provide some form of insurance reserves to offset losses to depositors from bank failures, (d) to separate more clearly the functions of investment banking and security distribution from commercial and deposit banking, and (e) to make the use of Federal Reserve resources more elastic so as to secure for the smaller member banks greater independence and stability.

(14) In the efforts to balance our Federal budget serious consideration should be given to the idea of adopting small but widely diversified sales taxes.

(15) A definite place should be preserved in American commercial life for the relatively small business enterprise.

Big business and small business should proceed side by side.

(16) Business rackets should be fearlessly exposed and driven out.

(17) The evil phases of reciprocal buying should be exposed as a national menace.

(18) Obsolete machinery and methods should be eliminated.

(19) It should be a fundamental of good management to create by means of intelligent research new wants for human beings and new uses for utilizing man power.

(20) All business enterprises should devote more attention to the problems of sales management.

(21) Business men and bankers should be constantly sold the idea that the success of any business should at all times be premised and maintained on the principle that "the degree of success of all business enterprises must in the long run depend upon the value and importance of the service rendered to the consuming public." In other words, company management should be governed first and foremost by what best serves the public interest.

(22) The Sherman and other anti-trust laws should be revised in such a manner as to prohibit the extension of monopolies but to permit the extension of cooperation along those lines which are provably in the public interest.

(23) Trade associations should enlarge their activities to a point where they can function as planning boards for their respective industries.

(24) There should be intelligent long-time planning of public construction in order to insure maximum employment on work of this kind during periods of depression and minimum employment on such work during booms and periods of excessive inflation.

(25) Serious study should be given to the idea that war debts to the United States be canceled in exchange for royalties and/or sales taxes on specific products sold within the countries owing these debts to us.

(26) Development of transportation of all kinds, but particularly of motor roads, should be encouraged in all countries of the world, and especially in those highly populated countries where the standard of living is lowest.

Committee for the Nation

The Committee for the Nation, recently formed, has a Directing Committee consisting of Frank A. Vanderlip, former president of the National City Bank of New York; Vincent Bendix, president of Bendix Aviation Co.; Les-ling J. Rosenwald, chairman of Sears Roebuck & Co.; J. H. Rand, Jr., president of Remington Rand, Inc.

Its chief tangible activity to date has been the sending of a telegram to the Bank and Finance Committee of the Senate, to leading members of Congress and to leaders of the new administration. This telegram read:

"Some months ago a group of leaders of business and agriculture became alarmed over the dangerous trends in

our business situation and quietly organized The Committee for the Nation. Existing economic conditions were analyzed and a special program of research by the National Industrial Conference Board was instituted. Specialists in finance, industrialists, farm leaders, economists and others contributed their experience to the Committee's work.

"The Committee foresaw the progress of the deflation that has now suddenly been accelerated and is destroying the fabric of our financial and credit structure. Its effects in statewide moratoria are reaching such proportions as to threaten to bring on a paralysis of our business system. Immediate action before the adjournment of the present Congress is required.

"On the basis of its studies the Directing Committee recommends for your earnest consideration the following steps to meet this emergency. (1st) That a banking bill be immediately passed with an amendment providing an adequate Federal guarantee of the deposits of all existing banks upon application for a limited time. (2nd) An immediate embargo of gold export and suspension of specie payments to prevent hoarding and foreign withdrawal. (3rd) The only condition on which the Government can assume the risk of guaranteeing bank deposits is as part of a definite program to raise the whole level of commodity prices. It must, therefore, at the earliest possible date after the new Congress convenes, pass the necessary sound monetary and credit legislation to raise and stabilize the general level of commodity prices. The Committee's studies indicate that if the export of gold is embargoed, special payments stopped, as steps in the program of such monetary legislation, there will follow a major upturn in commodity prices, immediate restoration of confidence, revival of business activity and steadily increasing employment."

This group quite obviously feels that it is vitally necessary to advance the commodity price level, but in this connection it has rejected the possible remedy of purposeful inflation of currency in order to advance prices. In connection with devaluation of the currency standard through reducing the number of grains of gold constituting a dollar, the Committee says: "We would not, therefore, recommend that immediately on the cessation of specie payments, there should simultaneously be a devaluation of the standard, but rather that time be given for adjustment of currency value and commodity prices to the new situation." The Committee also has recommended to Congress a reorganization of the banking system of the country to the end that there shall be a complete separation of commercial and investment banking.

President Roosevelt

While it would be possible to make a digest of the various policies advocated by the President in his campaign speeches and in his subsequent speeches, writings and acts, it does not, in the present crisis, seem entirely appropriate to do so.

What Is the Composite Opinion of These Authorities?

By RAYMOND BILL, Editor of Sales Management

ANYONE reading the previous section of this volume or the many hundred pages of reports on which it is based cannot help but conclude that the difference on a number of vital issues is sufficiently great, and on each side representative of a large enough percentage of our population, to indicate that solutions are most likely to be found in compromise and not in acceptance of either extreme. On the other hand, perusal and study of all these plans for expediting recovery make it equally clear that there are many principles and issues on which agreement seems to be reasonably unified.

In trying to arrive at a composite picture of what is wanted by composite America, it is obvious that we must properly weight the opinions of each individual authority, not only with reference to his particular ability, but also with respect to the importance of the group he is presumably best qualified to represent.

In attempting to deduce a composite conclusion, there are also two other phases which increase the difficulty of arriving at an exact answer, namely, (1) the true merit of each idea as against the present breadth of its acceptance, and (2) the psychological factor, or what might be termed the philosophy of viewpoint, behind many of the plans submitted. In spite of these complications, however, it seems interesting and desirable to make some attempt to arrive at the composite of opinion. Hence, we shall endeavor to do this with reasonable reservation as to our ability to do so, but with sufficient definiteness to make our conclusions at least clear.

Also, it is the thought of the editors of SALES MANAGEMENT that its readers may find it well worth while to preserve this volume for future reference and check-up. It should prove a rather fascinating and informative process to check up the plans and ideas presented in this volume with what actually transpires in the future and, therefore, becomes a matter of record instead of a theoretical effort to look into the future with vision and with accuracy. This idea applies not only to the individual plans submitted by the various authorities, but also to the composite conception as here presented, and to the plan submitted by SALES MANAGEMENT itself.

Before taking up the subject at hand, it may also be apropos to remark that it is doubtful if anyone could read all the testimony presented before the Finance Committee of the United States Senate, in connection with the depression, its causes and its remedies—and particularly the cross-examinations which ensued in the case of almost every witness—without feeling a new sense of confidence in our Senators. Of late, there has been far too much talk about the incompetence and relative lack of understanding of our legislators. Examination of the facts seems to indicate quite clearly that our legislators are much better informed than most of our business men and most of our bankers, because, unlike the latter, they have made it a point for some time past to glean all possible ideas and information

from as many lines of activity as possible, from as many sections of the country as possible, and from as many social viewpoints as possible.

Indeed, there is a serious question as to whether our leading industrialists and financiers have not been dealing too much with themselves and too little with outside viewpoints and human reactions. In any event, it seems a wholesome procedure for as many citizens as possible, and particularly for as many business and financial men as possible, to review the thoughts and ideas which are obtainable from the sources explored by the Senate Committee. Only by making a sincere effort to comprehend the thoughts of such an important body of men representing such a wide variety of interests can anyone hope to arrive at what might be termed a reasonably balanced opinion and a reasonably wide comprehension of the matters which currently are of prime importance to the people of the United States. Having said this much, we shall proceed to digest what we consider to be the composite of opinion on the major issues.

1. War Debts

There is sufficiently important following for payment and also for cancellation to indicate that some compromise between the two will prove most acceptable to the American public as a whole. The majority of opinion, however, favors either a postponement of the whole matter for a period of not less than five years, or else a scaling down based upon whatever settlement can be made on a practical basis or whatever can be obtained by concessions on export business and disarmament. The opinion is overwhelmingly for *immediate* settlement of the matter on some basis, even if only a postponement.

2. Tariffs

At this time, when so many foreign currencies are depreciated and unstable, tariff does not appear to be one of the major active issues. If plans not related to tariff are developed which improve the position of farmers and laborers, the tariff question looks as if it would reside where it has stood for many years—an important "talking" issue but a never fully settled one.

3. R. F. C.

Its function in preventing wholesale liquidation of sound assets and thereby arresting liquidation seems to meet with general approval. Practically all are against the publicity clause. Practically none are for seeing R.F.C. save institutions that are bound to collapse sooner or later—in other words, they are for its use to save sound assets but not fictitious or inflated capital structures.

4. Balancing of the Budget

There is little disagreement that, insofar as it is still practical to predetermine governmental revenues, the operating budget should be balanced both to restore confidence and to protect government credit. At the same time there is a majority opinion which does not think employment relief appropriations and debt amortizations should be included in the budget on a basis where they should be offset by increased taxes during the depression years.

5. Debtors

No one seems to believe that debtors should be aided as a class, but only as individual circumstances warrant. The principles of the La Guardia amendment to the Bankruptcy Act appear to meet with general favor.

6. Money

All seem to favor sound money but there is great divergence of opinion as to what constitutes sound money. The theories vary so greatly and each theory has met with sufficiently important opposition so that it is probable that events rather than theories will determine what kind of money we use. (This situation gives reasonable assurance that we will continue to have sound money regardless of what happens at home or abroad. The suspension of specie payment and the embargo restrictions on gold virtually assure a money system which is no less sound than it has been and probably even sounder by virtue of the return to the banks of much hoarded gold and currency. Moreover, there is little reason to suspect that we will weaken our gold position while foreign speculators might seek to take advantage of the American people; in fact, the action already taken by President Roosevelt may go a long way toward bringing about the needed stabilization of currencies throughout the world and hence expedite the date when specie payments may be resumed without fear of inordinate foreign or panicky domestic demands.)

7. The Gold Standard

Technically, we are off it now by virtue of embargoes and suspension of specie payment. Practically, we are not off it at all, in fact, we are now in a "protected" position. We have been in this position before, in fact, as far as embargoes are concerned, for nearly four years beginning in 1917—the years when we incurred most of our war debts and sold most of our government bonds. The ratio to the gold supply of credit and paper currency in circulation has undergone many sizable changes in years gone by, and it is likely to do so in the future; such contraction and expansion within reasonable limits does not affect our fundamental position as regards the gold standard.

8. Silver

The factors arguing for monetization of silver under one plan or another are not to be underestimated as regards their importance. Opinion, however, is not sufficiently concerted for any one plan to presage immediate action; also, the most widely approved plans do not contemplate any expansion of currency via the use of silver which does not keep such currency within the limits already determined by the gold reserve. Silver is pretty certain to receive some consideration if a policy is developed which can be definitely proved to (a) increase our export business, (b) stabilize world currencies and exchange, (c) improve the ability of our debtors to pay their inter-governmental debts to us.

9. Taxes

There seems to be little sentiment for increasing taxes, the chief aim being to obtain sufficient revenue with which to pay operating expenses of government. The trend of thinking is toward (a) the sales tax, (b) surplus tax, (c) increased inheritance tax (the latter two to bring about redistribution of wealth).

10. Governmental Expense

Opinion is overwhelmingly against the present volume of government expense, regardless of depression. There is an insistent, almost unanimous demand for (a) substantially reducing the payments to all but provedly deserving war veterans, (b) elimination of much of the bureaucracy in government, (c) consolidation of departments, (d) elimination of overlapping functions, (e) dropping the subsidizing of anything which interferes with private business.

11. Transportation

Relatively few favor government ownership and operation, but it apparently requires a revival of business to prevent the railroads from being owned by government in principle, even if not in fact. Except for the farmers, there is no concerted effort to reduce rates and there is little evidence of a desire to see government increase its management powers. Railroad consolidation along economic lines is quite generally approved and the conflict between rail and motor transportation does not appear to be as keen as one might have supposed it to be, probably because so many railroads are themselves directly or indirectly in the motor transport business.

12. Anti-Trust Laws

The antipathy to abuses of monopoly and to great concentrations of wealth and power are as definite as ever, but there is general acceptance of the idea that something must be done to eliminate widescale profitless selling and destructive price competition which is not in the public interest.

13. Liquor

Opposition to either the return of beer or repeal of the Eighteenth Amendment are conspicuous by their absence.

14. Overproduction

Discussions as to whether there is overproduction or underconsumption look as if they would go on far into the night and into the century. Policies for control of production in certain lines and for control of surplus in certain other lines are taking concrete shape, but how soon they will become realities and, if adopted, how well they will then work is a matter of much conjecture.

15. Stock Exchange

Predominating sentiment makes it look as if it and all other exchanges are in for a housecleaning, the like of which they have never had.

16. Banks

There is an irresistible demand for complete reform of the banking system and of banking practice to the ends that (a) depositors will not in effect be stockholders in an investment trust of the management type, (b) commercial

banking will not be subject to the vicissitudes of the success of investment banking, (c) banking authority for all banks will be centralized in responsible officials of the Federal government in lieu of the scattered, disorganized and largely private authority which has hitherto existed, (d) security affiliates be forever divorced from commercial banks. There is considerable clamor for a guaranteeing, not of banks, but of bank deposits, but there is much disagreement as to a sound and practical method.

17. Farmers

Opinion is quite unanimous that something should be done to help the farmer, but there is relatively little agreement as to the best method to follow. Nobody seems to want the Farm Board to continue. Nobody favors a dole. The chief desire is to find some means of offsetting the disparity which currently exists between the prices of farm products and most other prices. The methods proposed include (a) domestic allotment, (b) equalization fee, (c) leasing of marginal lands by the government, (d) tariff reductions, (e) silver remonetization, (f) control of surplus, (g) arbitrary inflation. Most of these plans, as specifically drawn, have as many arguments against them as for them. The most practical methods for helping the farmers and the methods which have the widest support are (A) mortgage refunding with the help of the government to result (when necessary) in scaling down of principal, minimum interest rates and minimum amortizations during periods of stress, (B) reduced taxes on farms, (C) elimination of government interference with farm marketing and, (D) price advance for farm commodities based on general program of controlled reflation and pick-up in business conditions as a whole.

18. Labor

There is universal acceptance of the fact that labor is coming out very badly while the deflationary process is in full swing—so badly that there is considerable likelihood of action along the lines of (a) revision of the anti-trust laws to permit a type of price agreement which in turn will protect wage rates for labor and go far to stabilizing volume of employment, (b) restrictions on hours per day and days per week in order to spread employment more equitably and insure benefits to labor (in leisure) as mechanization of industry may make it possible for production capacity to outrun consumption ability, (c) unemployment insurance in one form or another, (d) no dole, but government expenditure on public works, etc., which will take up the slack in employment volume during periods of depression when private employment recedes in substantial degree.

19. Purchasing Power

Practically all agree that restoration of purchasing power is the primary need of the hour, but the ideas for restoring it are many and varied and there is no concerted opinion as to the method to follow. Broadly speaking, the methods proposed come under two heads, namely, (a) restoration of confidence, (b) putting spendable money or credit in the hands of the consumer by inflation or otherwise. There are none who recommend an outright dole and the majority favor as the means to the end (a) public works and (b) reflation.

20. Inflation

Opinion is very divided on the matter of inflation, though much of the difference is due to definitions. Few, if any, are for inflation based on outright printing of paper money—so-called uncontrolled inflation. The majority are for inflation (more correctly termed reflation) along one or more of what might be termed orthodox lines such as (a) sale of government bonds within gold reserve limits to provide additional currency and/or employment via public works, (b) monetization of silver but within gold reserve limits, (c) refunding of government obligations with non-interest bearing notes, but within prescribed currency limits. There seems to be little danger of outright inflation, but every probability of controlled inflation based upon orthodox expansion of currency or credit or both, a procedure which is made more feasible by reason of the gold embargo.

21. Confidence

There seems to be considerable unanimity of opinion that confidence will be most quickly restored by (a) reorganizing the banking system, (b) controlled inflation along orthodox lines, (c) substantial reduction of governmental operating expense, (d) no increase in taxes, (e) proper provision for the unemployed if necessary out of government borrowings, (f) sticking to a sound currency based substantially on the gold standard, (g) prompt settlement of or substantial postponement of war debts, (h) minimizing liquidation of sound assets via help from R. F. C. and its affiliates, (i) balancing the operating budget, including substantial reductions to war veterans not deserving of special consideration, (j) treating debtors as individual circumstances warrant rather than issuing general moratoria, (k) revising the anti-trust laws to permit prevention of destructive competition, (l) repeal of the Eighteenth Amendment, (m) helping the farmers on their fixed charges, such as interest, amortization and taxes, (n) spreading employment and instituting unemployment insurance, (o) starting the ball rolling with a public works program to relieve the unemployment situation.

The Plan for Economic Recovery as Drafted by Sales Management

By RAYMOND BILL, Editor of Sales Management

Before proceeding to enumerate details of any plan which it is suggested may hasten and enlarge economic recovery, it is important to understand what may be termed "the philosophy of viewpoint" which underlies any given set of recommendations. As a precedent for such procedure, I cite none other than our new President, Franklin Delano Roosevelt. During his campaign speeches and in his writings prior to induction as President, he told the American people much about the human philosophy of his viewpoint. I suspect that this policy is in no small way responsible not only for his election, but more particularly for the confidence and enthusiasm with which his administration is being supported during the unprecedented type of crisis through which the country is now passing.

With due appreciation for this very illustrious example, I shall first present my philosophy of viewpoint, which is largely taken from a memorandum I prepared a short time ago by way of cooperation with the Committee for the Consideration of Intergovernmental Debts, of which Alfred P. Sloan, Jr., is chairman.

The Philosophy of Viewpoint

Through more than three years of depression in this country and for an even longer period in certain foreign lands, the average citizen has sat back and listened to those who professed to speak with authority. For some reason, undoubtedly for many reasons, completely satisfactory leadership largely failed to materialize, either from old sources or from new. Until the advent of the Roosevelt administration this was particularly true in the United States, possibly because we have not endured as much as have the people of Germany, of Russia, of France and of England.

Unfortunately, the people of this country were largely asleep to what happened abroad and to the kind of leadership and the kind of solutions which would solve our most pressing domestic problems. Hence, the leaders with orthodox minds, on the one hand, went on battling for their partially outworn policies and, on the other hand, the demagogic and radical leaders burst forth with their new but untried theories. In between these two there was relatively little preaching or performance. The great middle group which represents well over 90% of the total population—this mass of the people with its ever-present power to overthrow conservative or radical leaders—sat back waiting, waiting, waiting.

In the sincere opinion of this writer, long since expressed in print, the great Depression could not end in this country until the intergovernmental debts are settled and a new group of leaders accedes to represent the mass of the people honestly, intelligently and, if you please, *resultfully*.

The intelligentsia of bygone years has had to resort all too frequently and all too extensively to alibis. The task

before our bankers, our politicians and our industrialists has been formidable. Stout hearts have collapsed, virile bodies have been worn to pieces and superminds have exhausted their mental resources to the point of distraction. But where the lives and living of millions are at stake, no matter how great the problems, no matter how powerful the obstacles, alibis could not suffice. Crowns might fall, heads might go, but there must be an answer—an answer satisfactory to the great masses of the people.

What then lies ahead? It is a question full of portent—one which only egotistic despots or ignorant fools can approach without reverence. Hence, in a desire to be both modest, reverent and no more than reasonably intelligent, I shall submit my remarks merely as a contribution to thinking on this all important subject.

Already, I have indicated my belief that the real solution of our existing problems will come in large part from the leaders not of yesterday, but of tomorrow. If they are not actually of the masses, they will, of necessity, be thoroughly conversant with and definitely representative of the wishes of the masses. President Roosevelt and "Al" Smith are outstanding examples of the type of leaders I have in mind and on the Republican side (alas! they are gone) I should like to mention Calvin Coolidge and Dwight Morrow.

It seems logical to believe, inasmuch as war debts and The Great Depression are more material than spiritual, that business, finance and practical politics must be vital factors in reaching solutions. But they all must be reconciled properly with each other and then fitted into a spiritual whole. Therein lies much of the rub. The opinions of people with broad experience and outlook are constantly being undermined by the dogmatic statements and statistics of specialists who know much about this or that part, but very little about *the whole*. In my opinion—still humble—the judgment of single individuals with broad experience (like President Roosevelt), when dealing with broad subjects, is superior to the judgment of the greatest group of specialists that has ever been assembled. Furthermore, individuals get to decisions and to action, which is only rarely true of assemblies of specialists.

As I see it, most of the thinking and doing, insofar as intergovernmental debts and The Great Depression are concerned, have been done "wrong end to." Up to the advent of the new Administration, the conservatives (often termed the reactionary or orthodox element) have fought to sell the public on the present-day correctness of theories put successfully into practice during past periods. They spent the rest of the time counteracting the preachments and demagoguery of the radicals, including socialists, bolsheviks, communists and technocrats. The conservatives have spent too much time talking and too little time doing. They have made many claims, since 1929, for their policies. To a considerable degree, although the conservatives have held the balance of power in government, finance and business, they have failed to produce results, or even ex-

planations satisfactory to the people. Hence the charge that they have been doing their thinking "wrong end to."

The radicals, reds and what have you are just as bad and even more hopeless as an answer to our present-day problems. They are glib with promises and quite idealistic in objectives. But the lack of practical experience behind their theories and panaceas leaves all intelligent people believing that their ideas are father to a wish rather than father to a result. Their thinking, also, has started "wrong end to."

Solutions now must start in a broad sense but not in a moratoria sense by affording relief to debtors, instead of to creditors. The reverse has been true in this country for the past three years. This is so in both the domestic and the international realms.

It is well enough and highly important to use a certain amount of government credit to preserve what is left of our once vaunted banking system, and our other institutions, such as the insurance companies which have stood so long as Gibaltars of conservatism. But how can such assistance be of more than temporary value if banks, insurance companies and other creditors, *after getting the benefit of government credit*, proceed harder than ever to collect *post haste* as near 100% as possible from their able-to-pay-anything debtors. For three years now we have witnessed a movement gain momentum which is based upon getting every debtor to pay up 100% of his indebtedness as quickly as possible. Apparently most of our politicians, our bankers and our industrial leaders have failed to perceive the harmful effects of this trend not only on the debtors, but by boomerang process, *on the creditors themselves*, when collecting of debts proceeds on such a colossal scale and with such a terrific speed. Only when one of us is brought into direct personal contact with an insolvent individual debtor or debtor corporation do we quickly and completely grasp just what is meant by "inability to pay promptly." Only in such instances, do we apparently comprehend the human wisdom and the practical business advantages of compromises, moratoriums, extensions and scaling down of interest rates and principal. When we deal with isolated cases, it is comparatively easy to become convinced of how and why it serves both the debtor *and the creditor* to lighten voluntarily the load of the debtor, who is not able to meet all of his obligations on an immediate basis. Why is it, then, that when we (particularly the banks) start to deal with debtors in the aggregate and in the composite (who are likewise unable to pay promptly) we lose our perspective and approach the problem so onesidedly from the creditors' standpoint and with such stupid disregard of what will happen to the economic body as a whole? Of course we should begin everything at the creditors' end, but once the debtors are found to be "unable to pay promptly," there should be a limit in our composite dealings, just as there has had to be a limit in dealing with individual debtors. Most certainly our "management of credit and currency volume" was handled in such a manner as to accelerate rather than alleviate the depression, and I say this regardless of whether bankers or government were primarily responsible.

Under circumstances such as exist today, the principle that we can serve creditors best by serving debtors first should govern our international and to some extent our domestic policy. Just so long as we fail, *on our own initiative*, to determine the ability to pay promptly, and to act accordingly as regards either war debts or *domestic debts*, and to act decisively in proportion to what we find, just so long shall we postpone any permanent return to prosperity and continue to increase misery within our own borders and throughout the world.

The methods of helping debtors (who cannot meet

their obligations) and helping them in the joint interest of both debtors and creditors are definite, *known and proved*. They include such as:

- a. Scaling down the
 1. Principal
 2. Interest
 3. Rate of amortization
 4. Size of amortizations.
- b. Moratoriums
 1. On principal
 2. On interest
- c. Making so-called frozen assets of debtors liquid or at least partially liquid.
- d. Cheaper money through increasing the volume of currency or its equivalent in the form of credit, *which is an active circulation*.
- e. Increasing the volume of employment.
- f. Increasing the volume of consumption.
- g. Preserving the desire to live, the will to work and all the other human factors that relate to morale.
- h. Reducing taxes.

It should be clearly understood that these are the remedies when it has been established beyond factual doubt that debtors are unable quickly to liquidate their debts, however just.

There never has been (in the history of the world) an economic situation which parallels in any substantial way or degree that which now exists. Today, we behold a world-wide condition where practically *every* country is in debt over its head and where *most* of the people and companies in every country are over their heads in debt. To this sad state of affairs the United States is no exception. It is true we have cornered the lion's share of the world's gold supply but the very fact that the world's gold has been concentrated in about three countries has made preservation of the so-called gold standard a procedure fraught with many problems. If we go on too long thoughtlessly our export business will all but vanish and our labor will be thrown out of jobs in steadily increasing numbers by reason of products being shipped in despite our alleged tariff barriers from the nations with greatly depreciated currencies. In short, it appears that the dollar must be cheapened in its purchasing power, in order to restore either export or import business to a sound basis. It is well enough, then, to consider gradual reduction of our tariffs, but meanwhile, until foreign exchange is stabilized within reason, reducing tariffs to increase export sales is worse than carrying coals to Newcastle. Cheapening the dollar may mean changing the present basis of the gold standard, but it does not, of course, mean departure from a gold standard. Obviously, however, the exchange value of the American dollar in foreign countries has a very important bearing on the settlement of inter-governmental debts and world conditions.

No economist, no financier, no politician, no official of the Federal Reserve System has ever satisfactorily explained to the masses of the people how it can be called inflation to bring the purchasing power of the dollar down from the present level of 180 to somewhere near the normal of 100. None of the authorities enumerated has ever sold to the masses of the people the logic of why the purchasing power of the dollar should have been allowed to go to \$1.81 when as a matter of fact it stood right around the normal of \$1.00 in 1929. None of these authorities has sold to the farmers of the United States the idea that their farm product prices would have gone to the present ruinous levels, if the powers-that-be in the money world had done anything *effective* to stabilize the dollar. Slowly, but surely, the masses of the people, despite their relative ignorance in economics and finance, are growing conscious of the

fact that their plight, be it expressed in low prices for the goods they produce, in mortgages owed on farms and homes or bank loans, is due primarily to changes in the value of the dollar and not, as certain others would have them believe, to fundamental changes in the value of their services and goods and the demand therefor. Slowly, but surely, the masses of the people are realizing that low prices are not increasing the volume of consumption and of employment, as they theoretically should, but that on the contrary the volume of business (as measured both in tonnage and dollars) and the number of employed is decreasing in inverse ratio with the increased purchasing power of the dollar.

Satisfactory settlement of intergovernmental debts and our own internal adjustments require as a prerequisite that the purchasing power of the dollar must be decreased to somewhere near the normal of \$1.00. This must be done in the interest of both creditor and debtor. Otherwise, our banks, our insurance companies, our cities, are headed for financial ruin culminating in the collapse of Federal credit and government. We may never have revolution in a bloody sense in this country. Let's hope we won't. But only recently we witnessed revolution conducted in the American way. It was evidenced by such current happenings as the banding together of farmers to see that farms are not bid in at foreclosure for less than the face of the mortgages. The law permits deficiency claims by the mortgagee against the maker of the mortgage bond but the farmers say no. They take the law in their own hands and if we understand their present temper rightly, foolish and the creditor who seeks to benefit from a deficiency claim.

The purchasing power of the dollar can be reduced by increasing either the amount of currency in circulation or the amount of credit in circulation, or both. Most authorities agree that it is wiser to increase credit than currency but so far the orthodox methods of *substantially* increasing the volume of credit in *circulation* have failed. Meanwhile, moreover, the time factor continues to be of more and more importance.

Many financiers are afraid that if the dollar is cheapened the speculators will derive most of the benefit through selling the dollar short abroad or by exporting gold for later conversion back into dollars. If we possess integrity of government, we should be able to take steps to thwart, as long as necessary, the ends of such traitorous Americans and to see that they are jailed for long terms with no fine alternatives. That the people of America should live in fear of what can be done by a few mercenary skunks is untenable and that satisfactory solutions cannot be developed is unbelievable.

Most opponents of inflation improperly term reflation inflation. They stress the horrors of *excessive* inflation on an *uncontrollable* scale. They contend that if we once start inflation it will get out of control. In God's name, after the last three years, what do they think about the dangers of *excessive* deflation on an *uncontrolled* basis. To the mass of the American people they have been crying wolf so long that they now appear to be talking about how nice it is to keep warm to people who are standing in a fire and being burned not figuratively but literally to death.

Reducing the purchasing power of the dollar may not appear offhand to have much to do with the settlement of the war debts owing to us. On the contrary, it has. It will enable foreign countries to pay us with less gold, less depreciation of their respective currencies and less upheaval to world conditions. It also will be a prime factor in enabling them to pay us at all. More important still, a dollar with less purchasing power is the one thing that will do most to enable us to improve our domestic situation

and our opportunities for export business to a point where we can successfully stand the shock of failing to collect our *uncollectable* war debts. It will also, in an important degree, enable us to defer the payment of what we do collect.

Those who doubt the inability of any foreign nation to pay us what is owing should check in each of the debtor nations the following statistics, as of current date:

- (a) volume of unemployed
- (b) total governmental expenditures for unemployed
- (c) per capita national indebtedness
- (d) per capita average income
- (e) government's budget for 1931, 1932 and 1933
- (f) average per capita of all taxes
- (g) scale of income taxes, particularly those paid by individuals in what we in the United States call the lower non-tax paying brackets.

What any examiner of these statistics will find will come near to breaking his heart. It will prove beyond any question of doubt that we, in America, are still amateurs when it comes to the horrors of depression. He will perceive that the masses of our people don't yet know what heavy taxation is. He will see why the budget balancing task of these foreign countries is much more difficult than our own—and ours is no longer any slouch of a task. He will understand why Germany had to be forgiven most of its debts. He will understand why England's last payment was and could be no more than a gesture of good faith and a bit of further evidence of the indomitable spirit of the British under fire and of their superb patriotism and devotion to honor *per se*. He will perceive why the action of France, diplomatically poor as it was, represented what would have had to happen soon regardless of friendly gestures and evidences of good intent. He would understand and become convinced of why we must treat intergovernmental debts in very much the same manner as we would personal debtors whom we knew were out of jobs and cannot pay forthwith. He would comprehend why this sort of attitude is not charity, but simply good business and fair play as conditions exist today. He would see why reciprocal trade agreements, with their commercial intrigues for private gain, would not be as wise as specific settlement of the war debts as such. He would know that after all, in settling the international debts, we would be clearing up a situation which exists not so much between governments as between *peoples*.

It seems an inescapable fact that the settlement of foreign debts, regardless of the method, is inseparably bound up with the easing of the debtor situation as it now exists on a strictly domestic basis, because settlement of the foreign debts will prove such a tremendous stabilizer in our own domestic affairs.

Reducing the purchasing power of the dollar will not only help foreign debtors to pay their debts to us and enable all the world to buy more of our goods, but it will also help each of our own debtors from the Federal Government down to the man on the street to get more easily and more quickly out from under their respective loads.

Cheaper money will positively advance the price of virtually all things as measured in dollars, including (a) commodities, (b) securities, (c) real estate, (d) wages, (e) manufactured merchandise. We need this reflation of capital values to restore confidence, normal credit, normal consumption and normal employment. We need it to improve export volumes and, simultaneously, import totals.

The Program in Detail

So much by way of a semi-philosophical preamble. Now as to the specific program which the editors of SALES

MANAGEMENT believe is calculated to expedite economic recovery in America and to insure prosperity of substantial duration.

1. **WAR DEBTS.** Prompt disposition, even though it means only postponement, is vital. On the basis that we should not forgive just obligations and that our neighbors across the sea do not even want us to do so, and also on the basis that substantial shifts of currency would do more harm than good to us, SALES MANAGEMENT proposes (a) eliminating interest altogether, (b) making the principal amortizable at the rate of 1 per cent per year, with appropriate discounts of not less than 6 per cent nor more than 8 per cent for each year in which a subsequently due payment is anticipated. The high percentage of discount is made so that it will be profitable for our debtors to settle as rapidly as they are able to do so. By a settlement such as this, we shall do much to build international good will among the people of the various nations, we shall collect as much or more of our debts as we will collect in any other way, we will do it as painlessly as possible, we will do it with as little disturbance to international exchanges as possible, and we will have accepted, as we should, the principle of ability to pay.

2. **R. F. C.** This organization and its affiliates should continue to arrest the enforced liquidation of sound assets.

3. **BALANCING THE BUDGET.** Insofar as it is possible to predetermine governmental revenues, the operating budget should be balanced forthwith. SALES MANAGEMENT is inclined to believe that the budget can never be balanced until the process of deflation has given way to a sound plan of reflation. SALES MANAGEMENT does not believe that new capital expenditures, as regards either interest or principal, should be considered proper charges in the budget during depression years. SALES MANAGEMENT does believe, however, that all special expenditures of a capital character and interest thereon, which are eliminated from the budget, should be placed before the American people on a basis where the American people will know exactly what they must pay for out of their future earnings. SALES MANAGEMENT believes that new capital expenditures in excess of operating expenses should be confined to public works and to programs designed primarily to increase employment, thereby spreading and enlarging purchasing power and credit relief. Very few of our citizens are likely to object to the government borrowing money to provide jobs for worthy people and to paying for such borrowings during periods of normal or better than normal activity.

4. **DEBTORS.** The principles of the recent amendment to the Bankruptcy Act should be extended to corporations in order to prevent a minority of small creditors taking arbitrary positions which force businesses to discontinue and in consequence add to unemployment and economic distress.

5. **MONEY.** We should continue a policy of sound money, but we should accept in principle the fact that the amount of credit and paper currency which has been outstanding in relation to our gold supply has always been subject to considerable fluctuation (particularly as regards the volume of credit) and that use should be made of this principle to arrest the murderous pace of deflation and to secure a reasonable degree of reflation with its consequent benefits to both creditors and debtors. Many other benefits will result from a dollar with lower purchasing power, namely, a purchasing power more nearly equaling the average of 1921 to 1929 inclusive.

6. **THE GOLD STANDARD.** We should remain in principle on the gold standard, but should not regard suspension of specie payment or restrictions on the export of gold as inimical to the interests of the American people

as a whole. By keeping our gold in a protected position we can be assured of keeping our money and credit ratios at least as good as they have been during the past twelve years. We should endeavor to secure reflation not by diminishing the gold content of the dollar, and not by issue of fiat money, but by expanding of the credit and currency in circulation while still well within the orthodox limits of the gold standard.

7. **SILVER.** We should give serious consideration to all international efforts to deal with silver in such a manner as to improve world-wide conditions. Regardless of what is done, however, we should keep the monetization of silver well within the credit limits prescribed by the gold standard.

8. **TAXES.** Taxes should not be increased during periods of depression. The best way of increasing the revenue from taxation is to promote those measures which will restore the volume and profitability of business, which is to say, the purchasing power of the people. Sooner or later the tax base should be broadened, either through the sales tax or reducing the exempt brackets to lower points, as only through this means will the voters become truly conscious of the need for integrity and efficiency in government. The way to cut down taxes and waste in the cost of government—and to thereby help the debtors and creditors of the nation—is to broaden the tax base and keep it permanently broadened.

9. **GOVERNMENTAL EXPENSES.** Governmental expenditures have run far too high for many years and they should be immediately reduced during the period of depression. Economies should be effected promptly through (a) reducing the ill-advised payments to undeserving war veterans, (b) elimination of overlapping activities in government, (c) paying off bonded indebtedness as soon as conditions permit and thereby reducing interest charges.

10. **ANTI-TRUST LAWS.** No monopolistic trends, governmental or private, should be permitted to destroy or even dim the widespread entrepreneur opportunities which have been so largely responsible for making the United States the finest country in the world for the largest percentage of population. Neither big business nor State socialization of business have proved themselves as competent in human character building, in benefits to the populace at large, or in integrity of managements as has been true of an economy based on widespread entrepreneurship. However, measures should be inaugurated to decrease profitless selling and assure profitable selling not alone for private benefit, but also in the public interest. Destructive competition must be eliminated.

11. **LIQUOR.** The Eighteenth Amendment should be repealed without delay.

12. **STOCK EXCHANGE.** It and all other exchanges should be given a house cleaning similar to that which President Roosevelt is now giving the banking system.

13. **BANKS.** There must be a complete reorganization of the banking system along the lines which are evidently now being pursued by President Roosevelt. If bank deposits are not to be guaranteed up to, say, 70 per cent, the money of depositors must most certainly be made safe to the extent that it is possible for government to make it safe. The people should not be asked or expected to distinguish between good banks and bad banks. The government should supervise them and should assume full responsibility to the people for their supervision. Governmental policy and supervision should make them all safe within reason, because doing so is the only positive way to prevent runs and catastrophies such as have occurred in the banking field within recent years. There must be a centralization of banking authority within the government. Security affiliates must be divorced from commercial

banks. Credit must be made available not alone on the basis of where the highest interest rates are obtainable, but also on the basis of low interest rates where the people of the nation and bank depositors are needfully and properly served by such a policy. There is, in fact, much reason to believe that Sweden may have pioneered for the world a new principle of price stabilization and business stabilization through governmental control of credit expansion and contraction and particularly through governmental control of a uniform interest rate which is raised or lowered in accordance with the stabilization need.

14. **OVERPRODUCTION.** Our present volume of production is certainly not representative of normal conditions. It is, therefore, folly to talk of overproduction before we have had an opportunity to see the results of a policy of controlled reflation.

15. **FARMERS.** The farmers should be helped in any way which can be proved to be feasible, practical and just, because, without question, the price of farm products has gone far out of line with the prices of most other things and services, and particularly in terms of the dollars that represent interest, taxes and mortgage principals. SALES MANAGEMENT believes that with the extension of credit relief to the farmers along the three lines mentioned, it will not be necessary to do many other things to help the farmer, provided that a policy of controlled reflation is carried out forthwith.

15. **LABOR.** Without question a program of public works should be immediately launched which will provide employment for a maximum number of the unemployed, but at what might be termed a minimum wage so that private business can reemploy labor as rapidly as industrial conditions permit without entering into direct competition with the relief activity of government. Many of the other provisions recommended in this program will also prove of direct benefit to labor, and if the amount of unemployed continues to remain very large, without question governmental action should be taken to restrict the hours per day and the days per week in order to spread employment on a more equitable basis; also to stabilize the volume of employment and to assure labor of obtaining its fair percentage of benefit from the progress of mechanization in industry. The latter, mechanization of industry, should never result in considerate employers suffering at the expense of "sweat shop" operators nor should it ever be allowed long to divide labor into two classes, namely, the employed and the unemployed.

16. **DOLE.** SALES MANAGEMENT is against a dole in whatever form. Activities of the government to restore purchasing power of the people and to relieve unemployment should be in those forms which provide employment for specific work involving the creation of new economic wealth which that work represents.

17. **PURCHASING POWER.** Aside from the other measures recommended in this program, SALES MANAGEMENT believes that the soundest method for restoring purchasing power is the fostering by the Federal government of a controlled policy of reflation, such reflation to be strictly within the orthodox limits provided under our so-called gold standard.

18. **CONFIDENCE.** SALES MANAGEMENT believes that the best methods for restoring confidence, apart from the type of human leadership which President Roosevelt has already so ably and so effectively exerted, lie in the directions set forth in the paragraph appearing in the previous section of this volume under the same heading.

19. **OTHER MEASURES.** In principle, SALES MANAGEMENT endorses without reservation the recommendations for improvement of economic conditions which were drafted by a group of business paper editors in the early

fall of 1931 and which are printed in part I of this volume. It also endorses the consensus of opinion of the individual authorities whose ideas are reviewed in part I of this volume. If this consensus has not been accurately diagnosed in part II of this volume, then SALES MANAGEMENT subscribes to whatever consensus may be correct, because of our belief in the fact that major policies in order to be successful must also be acceptable on a positive basis to the great mass of the people and, therefore, to the majority of the nation. America's experience with its prohibition law is a case in point. A minority without question engineered its passage, but it was never ratified by a large enough percentage of the American people to assure its becoming in practice a governing law. It serves to illustrate the reasons why SALES MANAGEMENT believes that the trend of our economic policies must follow lines which are definitely acceptable to the intelligent and duly qualified representatives of the masses of the people.

20. **REFLATION.** Most of the points recommended in the program of SALES MANAGEMENT are substantiated by enough authorities so that they do not possess any great degree of originality. This is also true of the principle of controlled reflation which SALES MANAGEMENT endorses. It is also probable that all of the points included in this program are more worthy of consideration because they are not original, or representative of purely individualistic thinking. Now, however, we wish to present an idea with respect to controlled reflation which so far as we know is original. To our mind, it represents an acceptable and workable compromise between the objective of the so-called inflationists and the cautions of the anti-inflationists.

The Crux of the Plan

Within the last two decades we have witnessed here in the United States enormous changes in the volume of credit in circulation and relatively little shifts in the volume of currency in circulation or the gold in stock. It is quite safe and sound, therefore, to conclude that the cheapness and dearth of the dollar (as measured by its purchasing power) has been vastly more affected by changes in credit volume than it has by any shifts in currency volume or the amount of our gold supply. SALES MANAGEMENT believes that in order to arrest the steadily mounting exchange value of our dollar as measured in strictly domestic goods and services, it is vital to turn the tide by materially increasing the volume of credit which is in active circulation to the end that we may at least stop the fearful contraction of credit which has been proceeding for several years at such a murderous rate.

Indeed, SALES MANAGEMENT feels that if we are to avoid inflation by the indiscriminate printing of paper money, which is to say by the issuing of fiat money, something must be done immediately that will expand the volume of credit in circulation. It is, of course, important that in arriving at this result there be no debasing of the dollar and, if possible, little or no increase in the total indebtedness of the Federal government. The last two qualifications present the most difficulties to overcome, but particularly now that specie payment has been suspended and export embargoes made effective, it does appear that there is a plan which may accomplish the needed reflation and in a thoroughly orthodox manner.

We should give serious consideration to the possibilities of retiring part or all of our national funded debt with 100-year gold notes, non-interest bearing. There would be no increase in the national debt by this procedure; we should, so to speak, have changed orange certificates for green bill. They could be called bonds or notes.

The obvious objection to the plan suggested above of

retiring our interest bearing bonds with non-interest bearing notes (which would circulate as currency) lies in the fact that the bonds now held by the public represent contractual obligations of the Federal government. It is, therefore, proposed that the outstanding Federal bonds be converted, *only on a voluntary basis*, by surrender of Federal bonds in exchange for 100-year, non-interest bearing notes of the United States government, these notes to be in every respect as definite obligations of the government as is now true of Liberty bonds, and to be backed on the same gold basis.

No orthodox viewpoint can contradict the desirability of any debtor converting his existing indebtedness into a long-time indebtedness provided he can do so with the consent of his creditor. Simultaneously, no orthodox viewpoint can contradict the desirability of a debtor obtaining a waiver of interest, provided the creditor is voluntarily willing to extend this accommodation.

SALES MANAGEMENT believes that if the people of America are shown the whole facts of the case they will respond in a very complete degree and with that type of patriotism which has always characterized the American people when cognizant of what they can do that will be of help to themselves and their fellow countrymen as a whole. SALES MANAGEMENT, therefore, proposes that this conversion be conducted on a nation-wide Liberty Loan selling basis to the end that committees and honor rolls may be created in every community, and in every individual business. The elimination of all interest is, of course, for the purpose of making the new notes *essentially a circulating medium*, thus resulting in a substantial expansion of the credit which is in active working circulation.

No one can digest and consider the views expressed by the many leaders whose opinions are reviewed in Part One of this volume without having forced upon him a striking inconsistency of thought and advice. Note how many spoke forcefully before the Senate Committee and in public print of the necessity and desirability of (a) maintaining the soundness and integrity of the dollar, (b) of balancing the national and municipal budgets, (c) of reducing the tax burden. It is only necessary to restate these hopes and admonitions to realize that they conflict in principle and theory. If the dollar is to be maintained as to its present high purchasing power, that is, no devaluating tendency is to be permitted or encouraged, the debt structure will continue practically an imponderable problem; and it will not be readily possible to balance budgets or to reduce the tax burden. And without some degree of deflation of the dollar, points (b) and (c) remain sharply opposing forces.

The first plain unadulterated truth about the depression is that all classes are partially to blame in that all have committed some mistakes of judgment and some mistakes along lines that, to be generous, we can refer to as unethical. This goes for farmers and labor, just as it does for bankers and industrialists. It is, therefore, improper for one group to be pointing its fingers at another group because doing so is neither fair nor begetful of good spirit, national solidarity or mutually worth while results.

The second unadulterated truth is that much of what has happened to us, none of us are individually responsible for. It is foolish for instance to blame people for speculating who put their life savings into banks, mortgages and bonds for the express purpose of being conservative, and yet who have lost fortunes in the aggregate. It is foolish for officials of big banks to belittle the ability of officials of little banks when the liquidity of small banks has been ruined because they stood by local real estate, local business and local people, and bought bonds largely on the recommendation of big banks, whereas, these same big banks are largely liquid because they have kept credit inactive and

succeeded in unloading unwise security investments.

The third unadulterated truth is that the value of the dollar has shifted not so much on account of changes in the gold supply or of the currency volumes (because there has been consequential change in the volume of neither) but primarily because of enormous contraction in the volume of credit which is in active circulation.

Not less than \$30,000,000,000 and very possibly as high as \$50,000,000,000 of credit has been taken out of active circulation since the crash in 1929. Therein lies the principal reason for the change in the value of the dollar as measured in both goods and services. It is an intolerable condition because it has ruined the capital, debt and tax structure of the nation. It is a solvable problem because the volume of credit in circulation can be expanded without departing from orthodox policy or the gold standard principle if we employ the method proposed by SALES MANAGEMENT. Elimination of interest from Liberty and other bonds of the U. S. Government will make them circulating media—and *circulating credit* at that—of the most universally acceptable sort. Any merchant or manufacturer or farmer or workman would be tickled to death to accept payment in the form of Liberty bonds. As a matter of fact, the new notes will be stronger than ever with the interest feature removed.

These notes would be acceptable for deposit in banks and would be credited in the same manner as checks or paper currency. Clearly, this plan truly represents a method of definitely and positively *controlled* deflation.

Moreover, no one can gainsay the right of an individual to surrender interest-bearing bonds to his government for non-interest-bearing, long-term bonds if he believes by so doing he will serve his country, his fellow countrymen and himself.

It is interesting and important to note that under this conversion plan the funded indebtedness of the government is not increased by a single dollar, but that on the contrary there would be very important budget reductions in (a) interest charges and (b) annual amortization requirements for retirement.

Some may point out that all government bonds are now held by such a limited percentage of persons and institutions that a conversion plan would not succeed. I challenge this thought. I believe the American people will arise, on a patriotic basis, to buy bonds from these owners and buy them out of hard-earned, currently-earned dollars. I further contend that a campaign conducted along Liberty Loan patriotic lines will influence the directors of institutions and individuals as well (who now own government bonds) to convert on a large scale. I contend further that it will quickly become apparent that the consequent rise in security prices of all other types, as well as of goods, real estate and commodities, will be such that virtually all institutions will soon realize the selfish advantages to them of converting more and more. People and companies owning tangible assets would find this plan materially enhanced the marketable dollar value of such assets. In short, I contend that by this process the capital structure, and the debt structure, and the tax structure, and the budget structure, will be restored to a sound status and that all will benefit—in other words, that what starts out to be a patriotic move will turn out to be a prosperity-making move for all.

I contend finally that America needs a revival of both patriotism and character and that the proposed remedy for economic difficulties will not only revive our Nation in an economic sense, but that it will also give birth to a restoration of human character on high plane, to patriotism on a basis of each of us being interested not so much in a flag as in the welfare of our fellow countrymen, and to a new high level of artistic and intellectual attainment.